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HIGH & DRY

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FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Finland to buy 100m. Hawks

Finland's Ministry of Defence has ordered the purchase of 100 Hawk fighter jets from the British manufacturer Hawker Siddeley Aviation. The deal, valued at about £100m, is the largest order in the history of Finnish defence procurement. The jets are to be delivered over the next five years.

BUSINESS

Pound reaches new high

The pound sterling reached a new high against the dollar, closing at \$1.9100, for a 11 cent gain. Its trade-weighted average was 65.2 (64.6) and the dollar widened to 5.02 per cent. (4.58).

Firemen seek talks with employers to end strike deadlock

BY ALAN PIKE, LABOUR CORRESPONDENT

Leaders of the Fire Brigades' Union are to seek a joint meeting with the Government and local authority employers in an attempt to break the deadlock in the firemen's strike, now nearly eight weeks old.

The Government and employers are expected to agree to the meeting and it will take place next week, possibly on Tuesday. Members of the FBU executive, angry at what they believe is the failure of the TUC General Council to honour its agreement to public sector pay, also decided yesterday to demand a special recall of congress to discuss the union's case. The executive decided to seek the meeting after a day of discussions at which they reviewed the state of opinion among strikers around the country. Executive members from all over Britain reported that there would be no point in recalling the union's conference on the basis of the employers' present offer.

30% claim

Union leaders say that, on the basis of the latest consultations with members, there would be no hope of a recalled conference agreeing to end the strike. In next week's discussions, the union will, therefore, be looking for some immediate cash improvement, however it is presented, and even if it is some distance from the firemen's original claim for 30 per cent. The FBU executive was opposed to the original strike decision and is dismayed that the Government and employers are apparently not recognising the union leaders' difficulties in achieving a negotiated solution. Executive members emphasised

Healey calls for lasting wages policy

By Peter Riddell, Economics Correspondent

THE NEED for some kind of long-term incomes policy, especially in the public sector, has been stressed again by Mr. Denis Healey, the Chancellor. It is his clearest statement yet in the growing debate about what happens after the end of Phase Three of the Government's wage controls and guidelines next summer. Interviewed in the January issue of Socialist Commentary, a monthly magazine of the Labour right-wing, Mr. Healey describes as "very interesting and stimulating" the recent proposals for collective bargaining by public sector unions of their pay problems.

Sensitive

Mr. Healey comments that "more and more people are coming to realise that no Government can avoid having an incomes policy so far as its own employees are concerned. It must have an attitude about what is the appropriate level of wage increase in the various parts of the public sector where it is either employer or paymaster. But at the same time, to have a pay policy for the public sector and a free-for-all in the private sector can be very unfair to the public sector."

Dollar falls in reaction to Fed change

BY MICHAEL BLANDEN

THE DOLLAR slumped again yesterday as foreign exchange markets reacted adversely to the announcement that Dr. Arthur Burns is to be succeeded as chairman of the Federal Reserve by Mr. William Miller. The U.S. currency hit new lows against the two strongest European currencies, the D-Mark and the Swiss franc, as the markets gave a further boost to the pound, which touched its highest level against the dollar since the end of March last year.

At its best in early trading, sterling reached \$1.9283 before easing to about \$1.91 by mid-morning. At the close, the pound had gained 1.5 cents on the day at \$1.91.

Its trade-weighted index against a basket of 30 other currencies reached its highest since May last year at 65.4 in the morning, coming back to close at 65.2 against 64.6 on the previous day.

The main fall in the dollar had taken place overnight in New York and Far East trading. The markets were concerned over the departure of Dr. Burns, regarded as the main bulwark of strict monetary and fiscal policy in the U.S. His successor, chief executive of the Textron conglomerate, has little banking experience and 43 per cent. of the weighted index. This implies a marked further reduction in the confidence in U.S. industry abroad but, with the present pressure on the dollar, monetary and fiscal policy may be limited scope for any intervention to stem the upward pressure on the dollar.

Good reception in U.S.

BY JOHN WYLES NEW YORK, Dec. 29.

PRESIDENT CARTER has won as good a reception as he dared hope for over his decision to replace Dr. Arthur Burns with Mr. William Miller as chairman of the Federal Reserve Board. Although Mr. Miller is relatively unknown to the market traders of Wall Street, it became clear this morning that the new chairman of the Fed is a man who will be unreservedly embraced by the few hundred corporate executives who are active in such elite and influential organisations as the Business Council and Business Roundtable.

Sadat attacks Carter's attitude on Palestinians

BY OUR FOREIGN STAFF

PRESIDENT ANWAR SADAT of Egypt attacked yesterday the Palestinian question... we cannot establish peace. Mr. Carter had said that Mr. Menachem Begin, the Israeli Prime Minister, took a long step forward in offering a measure of self-rule for Arabs on the West Bank of the Jordan in the Israeli-occupied territories.

Jordan and PLO reactions

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peace plan made public early on Wednesday. Mr. Carter said the Begin proposal of Palestinian self-rule, with continued Israeli military presence on the West Bank, was "flexible". He said there was flexibility over the number of outposts there and the length of time the interim solution was in effect. Mr. Carter also said that he would not try to put pressure on King Hussein of Jordan to join direct Middle East talks. "I don't intend to put any pressure on Hussein," he said. "If he wants to do it, we would welcome it."

Court Line auditors criticised

BY MICHAEL LAFFERTY

A DEPARTMENT OF Trade report on Court Line, the package holiday group which collapsed leaving thousands of holidaymakers stranded in 1974, will criticise City accountants Robson Rhodes for its audit of the 1973 Court Line published. The Court Line Board, which is said to have ignored the advice of Robson Rhodes on specific aspects of the accounts, will also be criticised. The inspectors, one of whom was Mr. Douglas Morphet, the leading chartered accountant, conclude that the 1973 Court Line accounts did not give a true and fair view and that the group was not a going concern for accounting purposes at the time the accounts were published.

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The Why When, Where and How of Hine Cognac

Where Hine?

Hine (pronounced to rhyme with the English 'fine') comes from Jarnac, at the very heart of Charente where the best Cognacs originate. From there Hine finds its way to the heart of Cognac connoisseurs around the world, because Hine has a special appeal to the connoisseur of Cognac.

Each Hine designation has its own pleasure: ★★ on its own or with a mixer in convivial gatherings is available in most parts of Britain. The rarer Hine Antique and Hine OV are not so easily available. But if you seek you will find. Hine VSOP is naturally available in all good hotels and restaurants where fine Cognacs are served. You might like to start a connoisseur's journey into the finer areas of Cognacs with Hine VSOP. It is also available at all good wine merchants.

Hine The Connoisseurs' Cognac.



BRIEF PRICE CHANGES YESTERDAY	
Prices in pence unless otherwise indicated	
Aluminium	133 + 4
Asphalt	133 + 4
Bitumen	133 + 4
Bricks	133 + 4
Cement	133 + 4
Coal	133 + 4
Copper	133 + 4
Gas	133 + 4
Gold	133 + 4
Iron	133 + 4
Lead	133 + 4
Oil	133 + 4
Plaster	133 + 4
Roofing	133 + 4
Timber	133 + 4
Wool	133 + 4
Zinc	133 + 4

Scotching the EEC rules

BY ANTHONY HARRIS

DISTILLERS' answer to the EEC ruling on whisky prices, which can roughly be summed up as "there's mud in your eye", has provoked an entertaining amount of rage among more European-minded friends. It seems that the whole might of Brussels can be summoned to ensure that butter is cheaper than in France, while exporting it shows the highest profit to the highest-cost producer, but the right to drink Donnie Walker at the same price in Aberdeen and Taranto (allowing for national tax policies) is the essential spirit of the Treaty.

Dumping cars

The fact is that it is not only in the mud matter of food prices that EEC practice fails to live up to whatever principle is supposed to be involved here. One does not notice the Commission instructing Volkswagen to raise its UK prices every time the D-mark goes up, admittedly, raises the interest point that Britain drives on the other side of the road, which makes it an ideal market for most forms of car dumping: cars simply can't be shipped back to their country of origin. Japan drives on the same side of the road as we do, and the Commission would be more popular in Coventry and Lincoln if it tried to apply the dumping rule to Datsuns, but its will does not run there.

Marks and Spencer, though, is selling exactly the same coats in London and Lyon, but at very different prices indeed. If the Commission were to bother why this is, they might be decidedly embarrassed by the answer. It says only that they hear that the French authorities have taken some interest in the pricing policies of Marks and Spencer. The problem, if it is a problem, is widespread; studies have shown that similar goods, such as TV sets, sold at widely different prices in France and Belgium, and much cross-border shopping results. Grumophone records imported into this country from Germany sell at much more than half the German price. And so, as Kurt Vonnegut puts it, it goes.

The Commission has, perhaps, suffered an unjustly bad Press because the reports have suggested that it is solely concerned with prices, rather than with the

restrictive distribution arrangements under which sharp price differentials can be maintained. Such restrictive practices can indeed have evil results, and ought to be attacked; but in this case someone in Brussels seems to have fired the wrong barrel. Its ruling evidently applies to price rather than to restrictive distribution. Distillers have replied by firing two barrels. First, it has reminded the Commission that a uniform price is not the same thing as a competitive price, even if it may sometimes look like it; you can secure uniformity by going up as well as down.

The second stage of the Distillers' answer—to reserve some brands for the U.K., and some for export—seems to be especially engaging to the Commission, and perhaps simply because it is so neat. The fact is that segmenting the market is a long established strategy for all kinds of even reasonably large companies. Spare capacity is used to make cheap "own brand" foods, tyres, batteries and heaven knows what else which the retailer can sell on his own reputation rather than that of the manufacturer. This is part of competition, not a negation of it. Prices vary between regions of the same market look at the regional and local costs and tastes. Uniform prices are merely a theoretical result of a competitive market; there are all sorts of reasons for exceptions.

A good joke

It is true that Distillers is a very big company, with rather a large share of the Scotch whisky market, and one might have some sympathy if the Commission was trying to break it up rather than dictate its prices. But it is certainly not a monopoly even in Scotch; and on the economist's basic test of monopoly power—the availability of close substitutes—it can do singularly little harm with whatever monopoly power it may possess. The whole subject is economically trivial, which is why I feel one can drinking his whisky with a little extra relish this year. The Commission may even live to be grateful that someone has managed to humiliate it by making a good joke at its expense. Brussels is not only rather bad at picking the important issues to fight, but it is dreadfully humourless—which is the same thing, I suppose.

AROUND BRITAIN

BRITAIN MAY still be a country of marked economic and social differences between the regions, but the relative standing of certain of the previously less affluent areas has improved in the past few years. That has been reflected only in the unemployment figures, but also, in a less noticed way, in the regional estimates for Gross Domestic Product.

The evidence has been brought together most clearly in a recent Statistical Office publication. The regional estimates of Gross Domestic Product are based on total incomes from employment, profit and rent. A slightly different distribution might be shown by output or expenditure data.

The figures show that the regional economies of Scotland, Northern Ireland and Northern England have improved relatively in the last decade. For example, the Gross Domestic Product of Northern England has risen from 85 per cent of the U.K. average in 1968 to 85.5 per cent in 1975, which may reflect in part the cumulative effect of regional aid to the area. In Wales, a relative deterioration during 1973 and 1974 was halted in 1975, partly as a result of a

substantial improvement in the pay of coal miners compared with other workers.

English regions with relatively large coal mining industries showed above average rises in money GNP. In Scotland, the percentage of the national average improved from 94.1 to 95.5 per cent, between 1973 and 1975, even after excluding any impact from North Sea activities. But in Yorkshire and Humberside, the East Midlands and North West England the relative improvement in this period was restricted by the slow growth in engineering industry and in textiles.

By contrast, the largest relative decline over the period 1971 to 1975 occurred in the West Midlands, where the slow economic growth was held back by the preponderance of the slowly expanding engineering and vehicles industries.

While some of the wider disparities have been eroded in the last decade, GNP in Great Britain still varies between 22.5 per cent, above the national average in South-East England, and just over 8 per cent, below in South-West England. Northern Ireland remains the lagging region, with just over three-quarters of the national average, up from just under 70 per cent in 1968.

The distribution of Gross Domestic Product is also broadly reflected, though over a narrower range, in net output per em-

HOW THE REGIONS FARE

	GDP per head in 1975	Adult unemployment percentage	Average weekly earnings
U.K. = 100*	100.0	5.0	46.97
United Kingdom	100.0	5.0	46.97
North	95.3	8.2	42.28
Yorkshire and Humberside	96.3	5.6	45.45
East Midlands	97.3	4.9	43.82
East of England	91.0	5.1	44.35
South	112.6	4.3	47.99
South West	91.4	6.7	42.63
West Midlands	98.1	5.3	44.88
North West	94.6	7.2	44.25
England	101.9	N.A.	46.97
Wales	82.0	8.0	47.69
Scotland	96.8	8.1	47.88
Northern Ireland	75.5	9.8	42.59

* Less Continental Shift (North Sea) activities

† Seasonally adjusted (excluding school leavers) in mid-December 1977

‡ Full-time male manual workers aged over 21, October 1976

comes. Nevertheless, the south-east remains the leader; while the region had 30 per cent of the U.K. population, it had 34 per cent of total personal income and 40 per cent of total personal investment income before tax in 1975. The proportion in the higher income tax

McFarlane for Post Office Board

BY JOHN LLOYD

THE FINAL appointment to the management side of the Post Office Board will be Sir George McFarlane, who was appointed last month as a part-time member of the Board. Sir George will be responsible for technological development.

He will bring the present strength of the Board up to seven to match the seven worker-

directors chosen by the Post Office unions, who will be formally appointed next week to the Board.

Sir George, who is 60, was formerly Controller of the Research and Development Establishments and of Research at the Ministry of Defence. In 1977 he was a member of the Post Office Development Committee (Career Committee), which was critical of the Post Office in a

number of areas, including its handling of new technology.

Sir George's appointment carries on the tradition of a senior civil servant on the main Board. The previous incumbent, who began the tradition, was Professor J. H. Merriman, who was Board member for research and also Secretary of Development in 1975. Professor Merriman retired in December, 1976.

It should be easy for Dyscole

IN SPITE of a disappointing and somewhat surprising lack of runners at Newbury today racegoers will be disappointed to find in store, with particularly intriguing races for the two hurdles events, the Challow and the Ramshay.

In the Challow, that highly rated Newmarket challenger, Pollerton, seems sure to start a

RACING

BY DOMINIC WIGAN

warm order after his encouraging initial effort at Cheltenham. Always jumping well on that tricky course, Pollerton, a high-class performer in the flat, looked to be a live threat to Rodman approaching the penultimate flight.

However, lack of experience and of an outing combined against him and both the Daily Express Triumph Hurdle

and the three-mile Weyhill Chase.

A length second to See Swell in a valuable episode event at Sandown last October, Double Bridal then made no mistake in the same course a few weeks later, leading near the line to beat Lean Forward in the Food Chase. A reproduction of that form should see him outpacing Filigree, from whom he receives 7 lbs.

Dyscole, an impressive winner defeating Tippling at Uttoxeter a fortnight ago, looks as if he should have a comparatively simple task in Leicester's Quyn Novices Chase.

NEWBURY

1.00—Lyon Del Mar
2.00—Pollerton†
2.00—Double Bridal
3.00—Killwarran
3.00—in Vision

LEICESTER

1.30—Salsa
2.15—Dyscole
2.15—Super Glazepia

Radio

BBC 1

† Indicates programme in black and white.

8.50 a.m. The Wombles. 9.55 Jackanory. 10.10 The Wanderer. 10.25 Adventure in the Tenth Century. 11.05 Flash Gordon. 11.45 The University. 11.55 Elvis in "Stay Away Joe". 12.45 p.m. News. 1.25 The Ghost Hunters. 1.45 Barnaby. 1.55 The Three Musketeers. 2.15 The Three Musketeers. 2.35 The Three Musketeers. 2.55 The Three Musketeers. 3.15 The Three Musketeers. 3.35 The Three Musketeers. 3.55 The Three Musketeers. 4.15 The Three Musketeers. 4.35 The Three Musketeers. 4.55 The Three Musketeers. 5.15 The Three Musketeers. 5.35 The Three Musketeers. 5.55 The Three Musketeers. 6.15 The Three Musketeers. 6.35 The Three Musketeers. 6.55 The Three Musketeers. 7.15 The Three Musketeers. 7.35 The Three Musketeers. 7.55 The Three Musketeers. 8.15 The Three Musketeers. 8.35 The Three Musketeers. 8.55 The Three Musketeers. 9.15 The Three Musketeers. 9.35 The Three Musketeers. 9.55 The Three Musketeers. 10.15 The Three Musketeers. 10.35 The Three Musketeers. 10.55 The Three Musketeers. 11.15 The Three 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The Cinema in 1977

by NIGEL ANDREWS

Nineteen seventy-seven ended as a sad note. Charlie Chaplin died at the age of 88 and that formula phrase of obituaries "the end of an era" can for once be used with total confidence. There never was and there never will be any artist in the cinema like Chaplin. "Artist" to Chaplin-lovers will sound pompous. But how else can one describe a man who was the cinema's Master of all Trades—producer, director, writer, composer, performer? He was no all-encompassing in the way of his appeal than in his skills. He pleased the public and the critics alike: the first because he was a figure everyone could laugh at, and with a slightly rebellious little satyr he never took "no" for an answer from a society foolishly not giving it to him; the second because he used the cinema as a means of expression and inventively as anyone done in the history of film. Chaplin was the cinema's real gadfly: never content when he was taking things too much more pompous and tedious of movement than himself. Authority was his enemy. Anyone who wore a uniform could be singled out for practical jokes and "uniforms" did include any form of dress from the policeman's suit of belmet to the *grande dame's* gown, which identified a king class. But there was never Chaplin's films anything so nice or combative that it

could be called a political "message", and it is still astonishing that America disallowed the early 1950's so read into a clown's licensed irreverence the dark workings of a socialist plot. Whether Chaplin himself ever recovered from the blow of exile, delivered in 1952, we do not know. Certainly his work did not. His last two films, *A King in New York* and *A Countess From Hong Kong*, are weary testimonies to his genius, baring almost fretfully on the theme of exile and displaying a sadness that lends the films a stilted quality. Chaplin's final attempts at slapstick, an air of desperation, Chaplin will and should be best remembered for his most enduring creation, the tramp; he of the trenchy mischievous grin, he who sided always with Us against Them, he who refused to surrender to the forces of Automation, Social Decadence, or any other faceless orthodoxy. Chaplin gave popularity—a world-wide popularity—to the artist's perennial message of free will and individualism. No film-maker ever accomplished a more important mission than this.

1977 gave us nothing else so momentous as Chaplin's death to commemorate. In Britain it has been a year of polite stagnation. Every branch of the film business has been making courteous and helpful noises about every other branch, and history mean-



Gillian Burns, Marcus d'Amico, Michael Attwell and Roy Hudd

Oliver!

by B. A. YOUNG

A thousand times welcome is the return of Lionel Bart's mischievous musical to the Albery, with its wealth of astringent tunes and its unbroken stream of exciting action. The new production uses the peripatetic timbers of Sean Kenny's 1969 designs, and the direction by Robin Midgley and Larry Oaks is closely modelled on Peter Coo's original. Anyone whose theatrical memories go that far back needs no further recommendation; those who have not seen such an Oliver! before have a revelation in front of them. I hope it will run another 2,618 days and remind the world that English musicals didn't end with *Chu Chin Chow*.

I haven't called it "miraculous" in a casual term of extreme praise. Lionel Bart's achievement is truly extraordinary. Though he had previously composed songs to other shows, *Oliver!* was the first in which he had written book, lyrics and music, and it shows a professional skill one would have imagined could only proceed from long experience. The choice for plot of *Oliver Twist*, uniting the Dickensian loyalties of an older generation with the emergence of teenage-conscious-

ness, is itself a sign of an unusual theatrical acumen. The material is worked with almost operatic ability. The songs are full of characterisation; "As long as he needs me" could not have been sung by Fagin. "You've got to pick a pocket or two" would not have fitted Bill Sikes, however you altered the lyrics. There are duets and quartets and patter songs that are tuneful and entertaining and yet never lose their individual quality; and every song is a winner.

Mr. Bart, aware of the truism that children can always steal a scene, has given us a score of them, heartwarming and untidy and unruly. (I wonder what happened to the rest of Fagin's gang? I hope Mr. Brownlow didn't adopt the lot and turn them into gentry.) *Oliver!* played on Wednesday by a diminutive urchin called Marcus d'Amico (who will alternate the part with Alan Younger) rebels his way from the stony gloom of the workhouse by way of Sowerberry's undertakers and Fagin's homely thieves kitchen to ultimate respectability as Mr. Brownlow's long-lost grandson. Mr. d'Amico catches the affection throughout though first-

Platonov

by RONALD HOLLOWAY

Somewhat like Bertolt Brecht's *Falser-Pragmat*, Anton Chekhov's *Platonov* appears to have been the source of several dramatic characterisations without the play ever taking life itself. The first record of a performance of the comedy was in the 1920s, long after the collection of 261 notes were found in a folder marked "Without Title." It was written when Chekhov was 20, but the author never found the opportunity to stage it during his lifetime.

Now, full-length, three-and-a-half-hour production at the Dusseldorfer Schauspielhaus by Czech emigre Otomar Krejca, together with a new Soviet film appropriately titled *An unfinished Piece for a Player Piano* by Nikita Mikhalkov (premiere in Cannes, prizewinner in San Sebastian), allows for a revaluation and study of Chekhovian theatre as a whole.

Platonov was designed as an "encyclopedia of Russian life" in which the nobility, the bourgeoisie, and the lower classes mingle at a summer dacha on the first week-end of the season. More significant are the intricate family and social relationships: father and son, mother and son, brother and sister, widow of a general and a colonel, two capitalists and two student types, a doctor and a teacher, a minor civil servant and a wandering tramp, a philistine and an intellectual, the rich and the bankrupt and the poor.

The richness of Mikhalkov's film is in the comic portrait of the country gentry: after a long winter the same conversations as at the last meeting hint at a continuation of stifling boredom. Eventually the story focuses on Platonov, the teacher, whose constant chatter reveals a Don Juan who takes his ego seriously and, although short and pudgy, is set on winning back the passion flower of his student days: a vacante-eyed maiden who is now married to another of the dacha's guests. The climax is a slapstick jumping, knee-deep, into a nearby stream.

Krejca's version of *Platonov* (he has rearranged the scenes) relies heavily on an expansive

Howard Shelley

by DAVID MURRAY

The second evening of the Wigmore Hall Christmas/New Year Festival, which was Wednesday, brought Howard Shelley in an all-Chopin programme. Shelley's thorough musicianship and polished technique, always impressive in broadcasts, have sometimes in public been held on too careful a rein; but he rose boldly to this occasion. It was a great satisfaction to find that he can enlarge the scale of his playing without betraying any of its well-proven virtues.

Chopin's B-flat minor Sonata and the 24 Preludes were the main works, but the opening Barcarolle displayed Shelley's play with Chopin at once. long, lyrical line, knowing delicacy in filigree, evenly rich sound climaxes, a sharp sense of when a modulation must direct the sense of the music: power and finesse in equal parts. Of the two sorts of so-called "rubato," one—the trick of stretching beats to accommodate the curve of an expressive phrase—Shelley deploys with natural grace: the other, which makes the difference between live and mere mathematical structure in relief, without compromise, comes to him less easily. The rocking accompaniment of the Barcarolle had far less lift than the tunes, just as later the pianistic splendours of the A-flat Polonaise gave small suggestion of proud promenade.

The concentrated variety of the Preludes was excellently vivid, clearly the product of much thought—but with no academic chill. The whole set is liable to expose a pianist's routine mannerisms cruelly; it exposed no such ties in Shelley, which testified to the range of his powers. A certain immediacy was missing in a few preludes—the wonderful buoyancy of the E-flat, the vicious treble swoops in the B-flat minor and the thudding menace of the G-sharp minor were all time and tidy; but there was breadth and sweetness in many others, and gleaming technical dispatch. Above all, Shelley very deliberately shaped the preludes into a single sequence, and the parts thereby gained as much as the whole.

Here and there in the Sonata, one wanted more brilliance in the treble and a lighter left hand, and in the Scherzo more animal vitality; the performance left a deep impression nonetheless. The poise and clarity of the opening movement were notable, and the mad final Presto was riveting—Shelley bears it played in such a way as to place its basic structure in relief, without compromise, comes to him less easily. The rocking accompaniment of the Barcarolle had far less lift than the tunes, just as later the pianistic splendours of the A-flat Polonaise gave small suggestion of proud promenade.

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Woody Allen and Diane Keaton in 'Annie Hall'

Three Centuries of Italian Opera

by ELIZABETH FORBES

Arkel, the nearly blind King of a good Flora, a role that, of omission rather than commission, nearly outers his bristly all. To take the credit side first: excellent orchestral playing by the National Philharmonic gives a solid foundation to the performance; the London Opera Chorus sings with discipline as well as zeal; the smaller roles are sumptuously cast; Graham Clark as Ruiz, Norma Burrows as Inez and Peter Knapp as Gypsy lend his managerial tones to the opera. Moving up the vocal scale, Ingrid Vialon makes a splendidly convincing Maria, a role of the most elegant on disc, but his characterisation of the music is both forcible and convincing. Luciano Pavarotti offers a forthright, uncomplicated Manrico, perhaps he misses some of the subtlety to be found in the vocal line, but it is a pleasure to hear the actual notes so clearly sung. Marilyn Horne likewise gives considerable satisfaction as Azucena, the restrained energy of her interpretation balanced by the opulence of her voice in its lower register. Joan Sutherland sings much of Leonora's music with beautiful accomplishment and more than habitual energy. In particular, the great chain of Act IV, scene 1—"D'amor sull' ali rosee," the Miserere—"Tu vedrai che amore in terra"—and the duet with Di Luna are dramatically conceived and executed, while the deliberate speeds adopted by the conductor, Richard Bonynge, allow her time to articulate with un-

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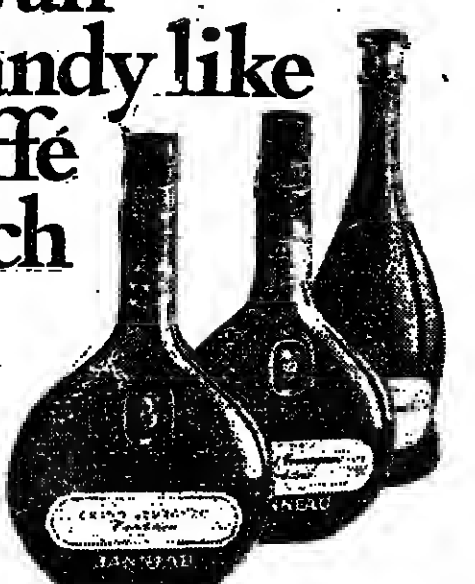
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EUROPEAN NEWS

Cabinet approves £250m. loans to Italy companies

BY PAUL BETTS

THE ITALIAN Government has approved a scheme for the reform of local finances. Italian local authorities are understood to have debts totalling about £40,000m. (about £25bn.). The Government now proposes to allocate a maximum of £13,500m. to local authorities on condition that they break even on current account next year.

After today's Cabinet meeting the Industry Minister, Sig. Carlo Donat Cattin, said the state would guarantee a £300m. loan to be issued by a consortium of Italian banks to a number of private companies. A further £1,000m. would be advanced to state-owned companies, including £500m. to the Uoidal food group and £250m. each to the state hydrocarbon agency, ENI, and the state holding company, EFIM, for some of their loss-making subsidiaries.

The Interior Minister, Sig. Francesco Cossiga, also confirmed to-night that the Cabinet

has approved a scheme for the reform of local finances. Italian local authorities are understood to have debts totalling about £40,000m. (about £25bn.). The Government now proposes to allocate a maximum of £13,500m. to local authorities on condition that they break even on current account next year.

The Cabinet's decision for the emergency funding of December salaries was one of the issues discussed by the minority Christian Democrat Government of Sig. Giulio Andreotti and union leaders over the revised 1978 budget.

The Government's emergency intervention, however, is widely regarded here as being merely a temporary financial safety net for a number of troubled companies in the steel, petrochemical and food sectors which effectively does nothing to attack their underlying difficulties.

To-day, in fact, 7,500 workers of the Uoidal food group occupied company plants all over the country. They are protesting against the proposed liquidation of the group and the threat of mass redundancies.

Italy's three big labour confederations, which have expressed dissatisfaction with the Government's proposed new economic package, are due to decide next week whether to call a general strike later next month against the revised budget. Such a strike could seriously threaten the survival of the Government in its present form.

At the same time, the Communists, which up to now have kept the Government in office through the so-called "inter-party agreement" are pressing for the creation of an emergency Government giving them a greater say in the governing process.

ROME, Dec. 29.

Germans hail U.K. investment prospects

By Adrian Dicks

BONN, Dec. 29.

BRITAIN OFFERS West German business a climate highly favourable to investment, with official recognition of the role of a profitable and well-founded private sector. Such is the conclusion of a report made available here today by the Federation of German Industry, setting down the findings of the top-level delegation of bankers and business leaders which visited London at the invitation of Prime Minister James Callaghan last October.

The report points out the 22 per cent. growth of British exports to West Germany, and the 19 per cent. rise in German exports to the U.K., as evidence of the strength of economic relations between the two countries. It also notes that cumulative West German fixed investment in Britain, at DM2.1bn. (£221m.) in the middle of this year, was still less than half the equivalent DM5.1bn. worth of British investment in West Germany.

The report predicts that as long as the present "positive economic and social course" is maintained, Britain can expect this imbalance to be corrected by an inflow of West German investment. It lists as the most attractive areas of investment for German investors:

- The Government recognises the importance of an efficient private sector of the economy.
- The market for West German goods is open to expansion.
- Wage costs are 40 per cent. lower than in West Germany (calculated at the time of the delegation's visit in October).
- Profit margins are higher than in Germany.
- Considerable investment incentives are available.
- Export credit arrangements are more favourable than in Germany.
- Small and medium-sized companies are to be given special encouragement.

In addition, the report goes to some pains to bury the myth (still remarkably widespread) that Britain suffers from ceaseless strikes, pointing out that most of the 500 West German firms in Britain employ more than 1,000 people and are not in those industries with the worst histories of industrial relations.

It is clear that the German visitors had some hard questions to ask the British Government about the role of the National Enterprise Board, planning agreements and further nationalisation plans. On all these points, as well as on the Government's intentions towards the European Community, the West German business leaders appear to have returned home more than satisfied.

Candid Carter admits to mistakes in first year

BY DAVID BELL

WASHINGTON, Dec. 29.

PRESIDENT CARTER, at times seeming a trifle wistful near the end of his first year in office, conceded last night that it might be harder than he expected to balance the budget by 1981, just as it had been harder than he expected to persuade Congress to take action on a variety of domestic measures.

The President's first public admission that he cannot "guarantee" to balance the budget came in an hour-long interview with four correspondents on television. Among other things, he predicted a strategic arms agreement next year and that the Senate would ratify the Panama Canal treaty.

The interview was chiefly remarkable, however, for the candid way in which Carter spoke of his mistakes during his first year. He readily agreed that his biggest mistake had been to raise public expectations too high. "I underestimated the difficulty and time required for Congress to take action on difficult measures," he said.

In effect, the man who campaigned as an outsider conceded last night that his lack of knowledge about how Washington works, his lack of appreciation of the ways and wiles of Con-

gress, had been a major handicap. Characteristically, he was quick to add he would not make the same mistake next year.

Perhaps, asked one reporter, he had slightly diminished the role of the presidency to the eyes of the people by "de-imperialising it," by carrying his own suitcase, not wearing a tie and not standing on ceremony. Not so, said the President, leaning forward slightly to insist that the U.S. was not prepared to accept a "monarchical way" of doing things.

Indeed, he said he was most proud of the fact that after his first year, the Administration more effectively symbolised the "hopes and dreams of the American people." He went on: "If I have achieved anything it has been to restore tone to the nation's life and attitudes that most accurately exemplify what we stand for. The human rights initiative and the activities of UN Ambassador Andrew Young had won the U.S. new friends in Africa and elsewhere, and the U.S. was now beginning to be trusted again in a way it had not been for a long time."

It may just be that it is Christmas time, but there have been a spate of articles in the U.S. press this past week remarking on the fact that passions are now lower, and people apparently more content, than for years past. Mr. Carter did not claim credit for this last night, but some credit probably belongs to him.

Certainly he has lowered the temperature in public life. Even last night, when asked about the Energy Bill that is still stuck in Congress, he resisted the temptation to exhort the Senate to its duty. He simply confined himself to a courteous reiteration of the need for an Energy Bill and the hope that it would eventually be passed.

The President, who looks much older than he did a year ago, also admitted that he had had some "sober" moments during the year when he had wondered if there was any way to deal with a particularly intractable problem. But he insisted that he had not lost confidence in himself and that next year would be easier.

Finally Mr. Carter was asked if part of his problem was that he found it difficult to compromise. Yes, he said, that was his major problem. It had proved difficult to compromise with Congress or on any of the difficult decisions that had confronted him. "But I'm learning," he said.

President starts tour in Poland

BY CHRISTOPHER BOBINSKI

WARSAW, Dec. 29.

PRESIDENT CARTER, who arrived here this evening for a 30-hour visit, set the tone for his stay with an airport speech, carried in full on the Polish TV news, in which he spoke of the "basic goals of world peace."

Justice, human rights and individual freedom, which made clear that he had come to visit the Polish people as well as to talk to the Polish leadership, were carefully designed to sound an echo with the population and to be acceptable to the authorities. Thus, he spoke of the 19th-century Polish Constitution, called the Third of May Constitution—as being among the "three great documents in the struggle for human rights" at the time of the American War of Independence. He spoke also of Poland as being "a friend of the U.S. since the time the nation was founded."

The Presidential party—which includes the Secretary of State, Mr. Cyrus Vance, and the national security adviser, Dr. Zbigniew Brzezinski, was warmly welcomed by the Polish leader, Mr. Edward Giersek, in his speech, he mentioned a constructive dialogue within détente, the "common bonds of history" and the wartime anti-fascist coalition. Both men referred to the millions of Polish-Americans in the U.S.

While here, he will talk with Polish leaders, visit three Warsaw monuments and give the first news conference for both the eastern and western Press by a U.S. President in eastern Europe since 1945.

It is believed here that in the talks the Polish side will put the Warsaw Pact case on disarmament issues and on general economic questions, relating to the U.S. side is hoping for results in the form of a reduction of U.S. stocks in Vienna, and the problem of extending the already agreed \$300m. of credit for purchase of U.S. grain to an extra \$200m. If the President were to agree to this, it would mean that one-third of the total credit available globally, assumed here that the talks would include an encouragement by the U.S. side that the Polish Corporation would go to Poland, the U.S. side that the Polish visit, while officially at the invitation of the Polish Government, was arranged at the initiative of the U.S. Diplomatic observers here think that the Polish authorities would have preferred that it had not come so soon after a series of other contacts between Polish and western leaders.

A recent speech by the Foreign Minister, Mr. Edward Giersek, had underlined the Polish commitment to the Warsaw Pact Press comment here to-day on the visit places it in the context of Soviet bloc détente policy. On the other hand, the political and economic advantages flowing from the visit for the Polish side are obvious. The results of the much-needed grain credit and the public appearance of the Polish leader with the U.S. President should not be underestimated, particularly at a time when economic difficulties are causing discontent.

Issues in the talks, from which the U.S. side is hoping for results, are the form of a reduction of U.S. stocks in Vienna, and the problem of extending the already agreed \$300m. of credit for purchase of U.S. grain to an extra \$200m. If the President were to agree to this, it would mean that one-third of the total credit available globally, assumed here that the talks would include an encouragement by the U.S. side that the Polish Corporation would go to Poland, the U.S. side that the Polish visit, while officially at the invitation of the Polish Government, was arranged at the initiative of the U.S. Diplomatic observers here think that the Polish authorities would have preferred that it had not come so soon after a series of other contacts between Polish and western leaders.

Earlier to-day, U.S. officials said that the visit to Poland was planned with regard to a White House view that, not only the superpowers, but also smaller countries, have roles to play in world affairs. They added that Mr. Carter was regarded as an intermediary, but his position is good position to be useful as a sounding board between Washington and Moscow. From Warsaw, Mr. Carter will travel to Iraq, India, Saudi Arabia, Belgium and France.

Companies disclose over-billings

WASHINGTON, Dec. 29.

MASSEY-FERGUSON Ltd. and its subsidiaries, industries have disclosed "millions of dollars" in over-billings, and other questionable transactions by foreign subsidiaries, which may be related foreign laws. The disclosures are not intended to help customers of the two companies to avoid local tax and currency requirements.

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Venezuela to have deficit in balance of payments

BY JOSEPH MANN

CARACAS, Dec. 29.

VENUEZUELA, the largest petroleum exporter in Latin America, will have for 1977 its first overall balance of payments deficit since 1967, and a shortfall of \$275m. in the current government budget, according to official estimates.

Statistics published recently to a review of the national economy by the Central Bank, and details of the country's foreign trade, indicate that the economy continues to grow at a steady pace. However, public debt has increased by 55 per cent. imports rose by an estimated 30 per cent., and government spending is outpacing revenue.

A report prepared by the president of the Central Bank, Sr. Benito Raul Losada, states that the total national public debt at the end of the year will reach an estimated \$8,500m. up from \$5,500m. at the end of 1976. The external public debt is estimated at \$4,700m. compared with \$3,500m. a year ago.

The Central Bank also said that inflation in the Caracas area was at a rate of 7.5 per cent. for the first ten months of this year, a slight increase over the 7.6 per cent. registered for the equivalent period in 1976. The wholesale price index for January-August, the most recent available, rose by 10.5 per cent. this year and 7 per cent. during the previous period.

Petroleum production and exports were down only slightly. Total exports for 1977 were valued at \$10,100m., representing an increase of 6.9 per cent. Import statistics, although still incomplete, show that the country continues its accelerated trend of buying goods abroad. The value of imports this year is expected to jump by some 30 per cent. over the 1976 level, which was \$8,400m.

Authorities point out that several hundred million dollars in overseas reserves held by the state of Venezuela, the state of monopoly, are not included in the Central Bank balance of payments computations. If these were added to official reserves the account would be in the black.

However, they also admit that the Government does not want to incorporate these funds in its balance of payments calculations, because they are subject to far greater fluctuations than official reserves. One Government economist said that the payments gap this year could reach about \$100m.

The Central Bank report revealed that Government spending this year totalled \$12,400m., while revenues (chiefly from petroleum exports) reached \$12,100m. The study also noted that agriculture, manufacturing, electricity generation, construction, commerce and transport grew steadily during the year.

Mining, though, showed a more than 23 per cent. petroleum decline as iron ore sales fell by 10 per cent. and other exports fell by 10 per cent.

Critics of the Government here have warned that official spending must be curbed in coming years, if Venezuela is to avoid even greater deficits, in spite of its high level of petroleum income.

But the administration of President Carlos Andres Perez has exercised little restraint on spending. Foreign bankers, however, generally say that they are not worried about "moderate" balance of payments deficits over the next few years, since Venezuela will continue to spend heavily on imports of capital goods and services to be used in its ambitious development programme.

Chilean referendum put in doubt by junta split

BY ROBERT LINDLEY

BUENOS AIRES, Dec. 29.

DIFFERENCES of opinion within the four-member governing military junta in Chile have put in doubt the realisation of the referendum, due on Wednesday, on the recent constitutional referendum, the U.S. general assembly of the United Nations, the field of human rights in the country.

Emerging from a meeting of the junta, the president, General Pinochet, admitted a disparity of opinion. Another junta member, General Gustavo Lech, the air force commander, has sent a letter to army General Pinochet mentioning the "unsuitability" of the "popular consultation" in which all Chileans over 18 are to be required to vote on whether to agree with the UN or not.

In his letter, General Lech is said to have said that the plebiscite would raise "doubts and suspicions" affecting the armed forces' prestige. His point is repeated to be that the armed forces, in standing and controlling such a plebiscite, would be compromised.

The Junta papers for the plebiscite have a Chilean flag by the space for a "yes" vote and a grey square for a "no" vote.

The Commander General, Sr. Hector Hernandez, has resigned because the order for the plebiscite was signed by only one junta member—Gen. Pinochet.

If the plebiscite takes place, Chileans will be required to vote "yes" or "no" on the following: "In the face of the international aggression unleashed against the Government of our fatherland, I support President Pinochet in his defence of the dignity of Chile."

These are the Christian Democrats in the present in Chile. The time of the Roman Catholic Church, recently at Logroño, Chile, on the recent constitutional referendum, the U.S. general assembly of the United Nations, the field of human rights in the country.

Opponents of the proposition are not allowed to campaign for support. Renfe, the railway company, has been arrested in Santiago for trying to pass on leaflets. [The President to-day began campaigning for support. Renfe, the railway company, has been arrested in Santiago for trying to pass on leaflets.]

Gen. Pinochet added that the referendum had caused a split in the ruling junta, but claimed that it only amounted to differences of opinion which did not affect the unity of the armed forces.

Meanwhile, the Planning Minister Sr. Roberto Kelly, announced that, for economic and political reasons, the regime will not re-negotiate its foreign debt in 1978, which means that Chile will make more than \$1bn. in foreign debt payments next year. Sr. Kelly explained that because the order for the plebiscite was signed by only one junta member—Gen. Pinochet—back to the 1930s.

Sr. Kelly added that Chile will not allow foreign credits to be used to pay for the debt. It is in return for re-negotiating the debt to international pressure on the Pinochet regime regarding its conduct over human rights.

Several political parties, all in retreat or outlawed since the 1973 military coup d'état, have called for negative votes, according to reports.

Paris warns on Algerian relations

BY ROBERT MAUTHNER

PARIS, Dec. 29.

FRANCE TO-NIGHT warned Algeria that normal relations between the two countries would be endangered if the anti-French campaign in the Government-controlled Algerian Press continued.

Following the statements by French hostages, released just before Christmas, by the Polisario Front, that they had been held inside Algeria for some of their period of captivity, M. Louis de Guiringaud, the French Foreign Minister, to-day summoned the Algerian ambassador to deliver an official protest.

According to a Foreign Ministry statement, M. de Guiringaud pointed out to M. Mohammed Bedjaoui the contradiction between the declarations of the released Frenchmen and Algerian claims that they had never been held on Algerian territory.

The French Foreign Minister expressed his astonishment that, in spite of repeated appeals to the Algerian authorities, no information about the fate of the hostages was given by them until Marshal Tito of Yugoslavia visited Algeria in mid-October. The Yugoslav leader subsequently set a message to President Giscard d'Estaing that the prisoners were alive and well.

The statements by the released hostages that they had been held in Algeria provoked accusations in the Algerian Press that they had been brainwashed by the French authorities. The Algerians have also sharply criticised France for participating in air strikes against the Polisario, which is waging a guerrilla war against Mauritania and Morocco in support of an independent Western Sahara, the former Spanish colony which they divided up between them last year.

M. de Guiringaud informed the Algerian ambassador that if the Algerians pursued their campaign this could not fail to make it more difficult for the French Government to continue to show moderation in its relations with Algeria.

Reuter adds from Bonn: A leader of the Polisario to-day called on the United Nations to condemn France for its military intervention in the war being waged by the Front against Mauritania and Morocco.

Demirel calls for support

BY METIN MUNIR

ANKARA, Dec. 29.

TURKISH Prime Minister Suleyman Demirel today asked for a vote of confidence for his three-party coalition from the National Assembly here.

Mr. Demirel's request for the vote of confidence came at the conclusion of debates on a censure motion tabled against his National Front coalition by the Republican People's Party (RPP), the main opposition party.

Demirel claimed that his overthrow would bring about not a new government but a political crisis. "You will not be able to form a government," he told RPP leader Mr. Bulent Ecevit. "Even if you do, you will not be able to survive."

Saturday afternoon and it is virtually certain that the result will lead to the toppling of the government.

Mr. Demirel's coalition recently lost its majority in the National Assembly when 12 members quit the Prime Minister's Justice Party. Political opponents believe that these 12 deputies, who have remained independent but are acting in unison, will vote against the government next Saturday.

Mr. Ecevit's social democratic RPP, which controls 214 of the 450 National Assembly seats, is certain to find enough outside support to cause Mr. Demirel's fall. President Fahri Korkut would then be expected to invite Mr. Ecevit to try his hand at forming a government.

Greek payments deficit tops \$1bn.

BY OUR OWN CORRESPONDENT

ATHENS, Dec. 29.

GREECE had a balance of payments deficit of \$1,064m. in January-November this year, compared with \$958m. in the same period of 1976, according to Bank of Greece figures released to-day.

Imports were up 15.6 per cent. to \$2,919m. and exports increased by 16 per cent. to \$2,313m. The trade deficit of \$3,49m. was largely covered by invisible earnings which totalled \$3,220m., up 18.9 per cent. from last year.

A number of parcel bombs mailed to various people and the setting on fire of foreign motor cars are causing serious concern to Greek security authorities.

Public Order Minister Anastasios Bakos to-day presided over a meeting of security officials to consider action to be taken to stop the flow of foreign motor cars to Greece.

Belgrade budget

The Yugoslav Federal parliament has approved its 1978 plan and budget, Aleksander Rankovic said to-day.

The plan envisages a 16.7 per cent. growth in GNP, 7.5 per cent. growth of industrial production, and 3 to 4 per cent. growth of agricultural production. Inflation, running at an estimated 15 per cent. in 1977, should be slightly lower, and the balance of payments deficit, currently in excess of \$1,500m., is expected to be reduced.

DUBLIN'S ENERGY POLICY

The atom splits the Irish

BY GILES MERRITT

IRELAND WILL decide in the next few weeks whether to go nuclear. In Dublin the betting is that January will see the Government opt to build a £60 MW nuclear power station on the beauty spot at Carnore Point, in South Wexford, at an estimated cost of £350m. It is also expected to initiate a costly search for a suitable site, which may or may not exist in Ireland.

The assessment of the pros and cons is interesting because Ireland does not have among the first countries, not industrial, developed, to adopt nuclear power. As one Irishman who has been at the centre of the debate put it: "We are placed in the world spectrum of prosperity at the lower end of the rich. Ireland may be a fully fledged EEC member state and a signatory to the Euratom Treaty, but the options it has been examining hold good for many of the world's developing nations."

The Irish Republic is a modest consumer of energy. Requiring the equivalent of about two tons of oil per head yearly, its 3m. population consumes fuel at about half the average EEC rate. On the other hand, it has so far failed to tap offshore oil and over 80 per cent. of its energy needs are met by imported fuel. Ireland has seen the cost of this fuel rise from £12m. in 1965 to around £300m. now, and it is expected to go as high as £1.5bn. by 1990. Demand for energy is rising by 10-11 per cent. a year and it is calculated that the Electricity Supply Board (ESB) must double its generating capacity by 1994-1998. At first glance the case for nuclear generation is overwhelming, and indeed the Carnore Point project should perhaps

even be the first of several if Ireland's needs are to be met and its dependence on oil reduced. Advocates of nuclear power emphasise that Ireland can expect hefty EEC grants to help finance its nuclear ambitions.

But the Irish are uneasily aware of the list of nuclear power stations where there have been incidents, and the potential nuclear lobby is already exercised

deaths and up to 20 per cent. of the ground in the country could be sterilised."

With such warnings ringing in the ears, the Irish are understandably wary. Even if the Government shortly goes ahead with its expected announcement that it intends to build at Carnore Point with the intention of completing the station by 1987, demands for a White Paper on

advocates of atomic power stations, told Irish scientists in Dublin in June that nuclear energy was not appropriate to Ireland's circumstances. He suggested a further examination of the soft sources of power, and he would only recommend an Irish nuclear programme if the Republic were plugged into the U.K. electricity generating system.

Nevertheless, the ESB seems set on building Carnore and has an array of projections of energy requirement to justify its standpoint. Until quite recently it was thought that a major oil or gas find in Irish waters would automatically solve the dilemma. Now the plotters are suggesting that when and if an offshore bonanza arrives it would be preferable to export much of the oil and use the proceeds to build nuclear power stations. If there is one overriding conviction in Government circles it is that the decision to adopt an energy policy can be delayed no longer.

Unless there is a dramatic volte-face at Cabinet level, it now looks as if Ireland's three-year old Nuclear Energy Board will soon be grappling with the respective merits of pressurised or boiling water-types of reactor, and the CANDU Canadian heavy water system that has been touted as the most likely. There will remain many sceptics who believe that Ireland is wasting money in trying to keep up with the nuclear jitters.

Ireland is a modest consumer of energy. But it imports 80 per cent. of its fuel and demand is rising by 10 to 11 per cent. a year. The Electricity Supply Board must double its generating capacity by 1984-86 if it is to cope.

by the fact that nine U.K. nuclear reactors are "near" to Ireland, and the National Council, an environmentalist pressure group, has been becoming extra-sensitive to the pointed out that Wylfa, in Anglesey, which last March was the scene of a fire, is only 60 miles from Dublin. Irish objectors attended the Windscale inquiry in force, on the grounds that the plant is 73 miles from Ireland and is piping contaminated nuclear waste into the comparatively confined waters of the Irish Sea.

Proposals for building a nuclear power station in Ireland itself date back almost 10 years, and if the sheer scale of so adventurous a project has been partly responsible for the delay in reaching a decision, so too has been the strength of the opposition. One expert from Trinity College, Dublin, observed that so long as that "in the Irish context... an accident could result to thousands of

J.P. H. 10/10

OVERSEAS NEWS

Deadlock on minorities in Rhodesia peace talks

By Tony Hawkins

SALISBURY, Dec. 29. AFTER 31 hours of talks this afternoon, the Rhodesian government and three domestic nationalist parties appeared still to be deadlocked over the crucial issue of minority representation in an independent Zimbabwe.

Mr. Ian Smith, the Prime Minister, who took the chair at the meeting (the tenth in the recent series) struck a pessimistic note as he left the talks saying, "We've had better days than today," adding that it was a fair assumption that there had been no agreement on white representation in a new parliament.

However, the nationalists did appear to share Mr. Smith's mood. Rev. Ndabaningi Sithole, leader of one version of the African National Council, said: "It is fine. We are having a good day. We are satisfied with progress." Bishop Abel Muzorewa, president of the United African National Council, wished everybody a happy new year. The talks will resume on Tuesday.

It seems that all three nationalist groups at the talks accept the principle of a mechanism by which the talks could prevent certain legislation. But Bishop Muzorewa and Rev. Sithole have rejected the Government's initial demand that a third of the new Parliament should be elected by white voters in designated constituencies.

In an effort to bridge the gap, Mr. Smith is understood to have suggested that there could be primary elections in the constituencies, which would choose candidates who would then stand for election by black and white electorate. However, this was rejected by the delegations of Bishop Muzorewa and Mr. Sithole, principally because they see the proposal as an attempt to ensure the election of members of the governing Rhodesian Front.

Bishop Muzorewa accepts the principle of reserved seats for whites. But his party would prefer to put up white candidates for most of those seats, any of which would have many white voters, under a system of universal adult suffrage. Thus, ANC believes, a blocking mechanism, as envisaged by the Rhodesian Front, would be warranted.

Reuter adds: Black guerrillas are struck in the centre of a southern mining town, Shabanie, killing a miners' club with guns, military headquarters said today. No-one was hurt.

Jordan rejects Begin plan

By RAMI G. KHOURI

JORDAN has emphatically rejected the peace plan which the Israeli Premier Mr. Menachem Begin has proposed for the occupied West Bank and Gaza Strip.

After a lengthy, regular Cabinet meeting here last night, the Government issued a statement categorically rejecting the Begin proposals and calling them an attempt to consolidate and legitimise Israeli occupation of Palestinian territory.

The Cabinet statement said the Israeli proposals were a poor response to an "unprecedented peace initiative" by an Arab state, and said Israel had failed to rise to the Egyptian peace initiative.

The rejection of the Begin proposals included a reiteration of Jordan's position that Israel should declare in principle its willingness to withdraw fully from territories occupied in 1967, in accordance with United Nations resolutions.

The Government statement last night will help mollify the fears of some Arabs that Jordan might join the Cairo negotiations between Israel and Egypt.

AMMAN, Dec. 29. Jordan's policy is directed at building on the previously declared willingness of the parties confronting Israel, that is Egypt, Syria, Jordan, Lebanon and the Palestine Liberation Organization, to participate in negotiations aimed at a comprehensive peace agreement.

With this purpose Jordan has launched a mediation effort which is backed by the Arab Gulf States, particularly Saudi Arabia, Kuwait, Qatar, the UAE and Bahrain.

Senior officials here have stated privately that this crucial backing by the Gulf States aims to temper the positions of both Egypt and parties which have rejected President Sadat's peace initiative, particularly Syria and the PLO.

Our Foreign Staff writes: Iraq has offered to join Syria and the PLO in a military confrontation against Israel, the Beirut newspaper *Al-Safir* reported yesterday. The newspaper said the offer was made in letters sent by Iraqi President Ahmed Hassan al-Bakr to President Hafiz Assad of Syria and PLO chairman Yasser Arafat.

Egypt continues attack on PLO leadership

By ROGER MATTHEWS

CAIRO, Dec. 29. EGYPTIAN ATTACKS on the leadership of the Palestine Liberation Organisation continued unabated today, reflecting President Anwar Sadat's anger at its rejection of his peace initiatives.

The Government-owned Press accused the leadership of committing blunders that were tantamount to a crime against the Palestinian people.

Some Egyptian officials believe that Mr. Sadat's efforts have been seriously hampered by what they regard as PLO intransigence. They stress the ingratitude of an organisation for which they consider Egypt has fought harder than any other Arab nation.

Mr. Mohammed Ibrahim Kamel, Egypt's new Foreign Minister, today received the amended Israeli proposals for the West Bank of the Jordan and the Gaza Strip, and again reiterated his Government's demand for total withdrawal by the occupying force.

Mr. Sadat is clearly hoping for the emergence of a more moderate Palestinian leadership and is almost certainly doing whatever he can to promote the process.

The Egyptian President is also believed to feel that the opposition by President Carter to the formation at some future date of a separate Palestinian state might diminish if such a country appeared less likely to be a client of the Soviet Union.

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West acts on Namibia

By FIVE WESTERN nations acting as intermediaries between South Africa and Swaziland have suggested a face-to-face encounter in New York between the two adversaries, diplomatic sources said tonight.

Meanwhile Prime Minister John Vorster today summoned a special meeting of his closest advisers on the Namibian (South West African) issue to his Eastern Cape vacation retreat.

Diplomatic sources said the Swaziland-South Africa meeting was suggested for January 17 under the chairmanship of January's President of the UN Security Council, Mr. Leslie Harriman, the Nigerian Ambassador, who also chairs the UN anti-apartheid committee.

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Thousands of Bhutto prisoners released

By RAMI G. KHOURI

Pakistan's martial law Government said yesterday it has dropped charges and set free 11,109 prisoners who had been held on political grounds by former Prime Minister Bhutto's regime. UPI reported from Islamabad.

The prisoners had been charged with instigating political violence after charges of "ripping" in the national elections.

The violent demonstrations and protests against "ripping" by Mr. Bhutto's Pakistan People's Party triggered nationwide violence that lasted three months and cost 350 lives and an estimated \$1bn. in damages.

Although Mr. Bhutto had agreed to release the prisoners during the protracted negotiations with his political opponents, the promise was never carried out.

Our Foreign Staff writes: Iraq has offered to join Syria and the PLO in a military confrontation against Israel, the Beirut newspaper *Al-Safir* reported yesterday. The newspaper said the offer was made in letters sent by Iraqi President Ahmed Hassan al-Bakr to President Hafiz Assad of Syria and PLO chairman Yasser Arafat.

Minister, today received the amended Israeli proposals for the West Bank of the Jordan and the Gaza Strip, and again reiterated his Government's demand for total withdrawal by the occupying force.

Mr. Sadat is clearly hoping for the emergence of a more moderate Palestinian leadership and is almost certainly doing whatever he can to promote the process.

The Egyptian President is also believed to feel that the opposition by President Carter to the formation at some future date of a separate Palestinian state might diminish if such a country appeared less likely to be a client of the Soviet Union.

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CHINA'S LEADERSHIP

Potential for sharp divisions

By COLINA MacDOUGALL

WHEN CHAIRMAN Hua and the available Politburo members went to the Miyun reservoir last month to labour with the masses in Maoist style, there were four notable absentees.

One was Teng Hsiao-ping, restored Vice-Premier and number three in the hierarchy, the next Yan Chien-ping, elderly but second in rank only to Hua and last year a strong supporter of Teng's for Premier. The third was Wei Kuo-ching, the southern army commander who had been dismissed in the power struggle in the spring last year, the fourth Yu Chin-yi, China's chief planner and one of Premier Chou's right-hand men.

One can read too much into happenings like this (maybe they all had flu) but in the Chinese context, where hard news is scarce, appearances are carefully monitored even by insiders in the Politburo. Add to that the inability to agree on Politburo ranking (apparently because members of this top policy-making body are still listed in the Chinese equivalent of alphabetical order) and you have a picture of a leadership possibly still sharply divided.

If it seems alarmist to view Peking as split on this issue of who should be top, one must remember that its spokesmen have said ad nauseam that the major task for the present is the struggle against supporters of the "gang of four," Mao's disgraced wife and her colleagues. In the provinces this is being fought out bitterly: there is no reason to think that Peking alone has solved its differences. The scenario could still be one of a battle between the hard-headed men of the Chou En-lai school and the beneficiaries of the Cultural Revolution.

The trend in China since Hua's accession has been unmistakably pragmatic: the rush of policies true but indicative of the political temperature) tells an unexpectedly bloody story of persecution, kidnapping, torture and suicide. In some cases this must go back to the Cultural Revolution since several victims have recently been re-buried with party honours. So far it is only the Heilungkiang man who was replaced was only put in the job last March.

Obviously all sides in Peking have prestige to gain from a show of unity. However, the rash of new appointments could conceal much underground manoeuvring. Wei Kuo-ching, Teng's southern supporter, is now running the Army's political department. The new Public Security Minister is thought to be a Teng man from Sichuan. A major figure from Chou En-lai's Foreign Affairs establishment, Huang Cheo, has just become Minister of Culture.

One could argue that interpreting signs like these as a takeover bid by Teng shows how fevered is the imagination of Western China watchers, who are forever looking for signs of trouble (since what riots there are could all be explained in some other way). But one cannot brush aside the potential for division even in the compromise worked out at the August party congress.

Much depends on the depth of feeling one attributes to the leading characters in the drama. Is it possible that the enmities of the past 12 years could be laid aside now that Mao and the Gang of Four are no longer operative? Are men who have suffered the most cruel humiliations likely to welcome power-sharing with the leaders who displaced them?

They might have to put up with it if the opposition were tough enough, but one would expect them to fight. When their leader is Teng Hsiao-ping, the world's most resilient politician and one of the most acerbic, the expectation seems justified.

His most notable speech this year, at the party congress, lasted only five minutes and bluntly stated the necessity for China to need more hard work, more honesty and less talk.

In contrast, Chairman Hua, a country bureaucrat promoted through the exigencies of the Cultural Revolution and a lucky association with Mao's own province, leans towards agriculture rather than industry, shows a high (if selective) regard for the late Chairman's words and a predilection for long speeches. Unlike Teng's pithy comments, his recorded utterances fall like lead upon the foreign ear. How has he got to the top? The "black hands" of the Gang in Hunan Province called him a chameleon, a metaphor which could go far to explain his staying power.

Although in Peking the cracks are outwardly papered over, the progress of the purge since October has revealed a chasm in the provinces between the veteran officials and the Gang's supporters which seems unlikely to be bridged. The supporters of the Gang are not prepared to go quietly, particularly as they know there are plenty of other folk of their own persuasion who have to starve to death.

The published version of their alleged crimes (not necessarily pragmatic: the rush of policies true but indicative of the political temperature) tells an unexpectedly bloody story of persecution, kidnapping, torture and suicide. In some cases this must go back to the Cultural Revolution since several victims have recently been re-buried with party honours. So far it is only the Heilungkiang man who was replaced was only put in the job last March.



Teng Hsiao-ping: blunt and acerbic.

the smaller fry who have been punished, but the excited note of the campaign suggests there is more to come.

Although the party congress confirmed a number of doubtful starters in their posts (Li Teh-sheng, Army Commander of the North East, for instance, and Wu Teh, Mayor of Peking, both with good reason to oppose Teng) its decisions are certainly not final. The attack on the gang's supporters is moving up the official ranks, bringing more provincial party secretaries into the public criticism.

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Civilians 'fleeing Ethiopian shelling'

ROME, Dec. 29.

BESIEGED ETHIOPIAN forces are indiscriminately shelling rebel-occupied areas of the port city of Massawa and have forced the civilian population to flee, the Eritrean People's Liberation Front (EPLF) said today.

"They are shelling by warplanes and from ships in the Red Sea without discrimination," said Mr. Ermias Debesale, one of the EPLF's central committee.

"Most of the people have been taken out of the city in trucks and we have set up a refugee camp for them," he said.

Mr. Ermias said medicines were urgently needed for the civilians as well as for EPLF soldiers and Ethiopian prisoners. "We have almost 6,000 prisoners of war but no international organisation has offered to help," Mr. Ermias said.

"The Red Cross sends some parcels, but what help is that when we have to deal with 6,000 prisoners, feed them, clothe them, teach them and give them medical treatment because most of them are wounded," he asked.

Mr. Ermias said the military situation in Massawa, under attack by the EPLF for more than two weeks, remained unchanged with the EPLF controlling most parts of the city except the naval base, commercial port and part of the business district.

But the commercial port and main business district were reached by a causeway from the mainland and observers here said their location might be helping the Ethiopian defence.

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Japan-China talks move

TOKYO, Dec. 29.

PRIME MINISTER Takeo Fukuda is expected to authorise in early January the resumption of negotiations on Japan's long delayed treaty of peace and friendship with China, a Government official said today.

Mr. Fukuda would make his final decision on reopening the talks after the visit to Japan of U.S. Special Trade Representative Robert Strauss in early January, he said. Mr. Strauss' trip is aimed at settling Japan-U.S. trade friction.

UPI

Power by Parachute

This Bosch generator fell, quite literally, from the heavens. It was delivered by parachute, together with tents and other material, as part of a training exercise for the German Emergency Relief Service. This was only an exercise, but when a real emergency arises, Bosch generators are always there ready to supply on-the-spot power.

generators with sound-deadening cowls covers. Safety features to guard against the risk of faulty operation are built in. So whether your Bosch generator falls from the skies by parachute or arrives by rather more conventional means, it is a heaven-sent gift for all who require instant portable power.

There's more to Bosch than you think: Your car engine almost certainly has some Bosch parts; and it may well be tested by Bosch equipment at its next service.

Many of the goods people buy in their supermarkets have been packed with machines produced by Bosch. These provisions may be stored in a Bosch refrigerator or freezer in a Bosch kitchen.

Television viewers will have seen the Olympic Games through Bosch eyes, as many of the sporting events were televised by Bosch Fernseh cameras. News and entertainment in cars can be received with Blaupunkt auto sound systems.

Bosch power tools are at work in industry, on construction sites and in homes world-wide. Bathrooms and kitchens are equipped with Bosch fittings and built-in units. Deep-cooled blood stored in many European hospital blood-banks is restored to body temperature with Bosch medical equipment.

Bosch employs 5,700 people in research and development alone. Bosch have at present 10,000 patents throughout the world, with 15,000 pending.

Bosch UK: Robert Bosch Limited, Watford, Hertfordshire

BOSCH

Bosch generators are used throughout the world in 100 different countries.

They will give reliable service even under tropical or sub-arctic conditions. They will even stand up to humidity levels of 95%. On request, Bosch can supply fully mobile trolley-mounted



WORLD TRADE NEWS

EEC hints at regulation of state steel subsidies

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, Dec. 29.

A BROAD hint that the European Commission's measures to strengthen the troubled EEC steel market may be accompanied by stricter surveillance of national aids to the steel industry has been given by the Industry Commissioner, Viscount Etienne Davignon.

He also said in a speech to the Consultative Committee of the European Coal and Steel Community that the Commission expects to have ready by next April the main elements of a longer-term programme for the sector, which would lay down 1985 production targets for major product categories.

These disclosures coincided with the publication of new EEC guidance prices for ten types of commonly-used steel products. The new prices, which will take effect on January 1, are on average 5 per cent higher than those set last July, though increases vary between categories.

Unlike the minimum prices for hot rolled coils, reinforcing bars and merchant bars, published yesterday, the guidance prices are voluntary and not backed by legal sanctions. Guidance prices have been set for the products covered by the minimum price scheme as well as for thin plate, which was not previously included.

The Commission has postponed until 10-march the public announcement of the details of its "base price" scheme for imports, designed to prevent EEC steel producers from being undercut by low-cost steel imported by third countries. The delay is intended to give national

governments time to examine the scheme.

It is already known that the new system, intended initially to last for the first quarter of next year, will involve setting base prices for more than 140 imported products, including

prices during the next three months. Like the U.S. "trigger mechanism" for steel imports, the EEC system will employ base prices calculated according to the production costs of the most efficient third-country suppliers, notably Japan and South Korea.

But unlike the U.S., the EEC will base its system on the GATT code. Outlining the new price measures to the ECSC Consultative Committee, Viscount Davignon warned that introduction of the imports scheme must not be used as a pretext by governments and the steel industry for neglecting a much-needed "profound reform" of the sector.

"That is why the Commission will watch national aids closely to ensure that they correspond to the objective set. It is happy to announce that it will be in a position to present in April the outlines of objectives for 1985 by major product categories," he said.

Last November the Commissioner for Competition Policy, M. Raymond Vloeberghs, suggested that the Commission might try to regulate State aids to steel in the same way that it has proposed for shipbuilding by making national aids conditional on modernising and reducing capacity.

No additional clarification was given by Viscount Davignon, though he appears to have in mind the establishment of forward objectives for the steel industry similar to those which the Commission has already proposed for shipyards.

Iran halts imports from Italy, Denmark

By Our Foreign Staff

THE SEMI-OFFICIAL Iranian Chamber of Commerce, Industry and Mines said yesterday that companies in the country have stopped trading with Denmark and Italy following attacks on Iranian diplomatic missions in both countries.

Anger at the leniency with which the attackers of the missions were treated was given as the reason for an indefinite suspension of purchases from these countries. In a statement to a local news agency in Tehran, the chamber said: "The responsible authorities in these countries did not show mutual consideration and regard for international diplomatic traditions. The attackers were not only not prosecuted, but set free."

While no mention was made of any incident involving the Iranian diplomatic mission in Italy, the Iranian Embassy in Copenhagen was invaded by Iranian students two weeks ago.

The Iranian Information Minister was quoted as saying later that the boycott of the two countries was a voluntary action by the companies belonging to the chamber and was not connected with the Government.

Riley Barnes adds from Copenhagen: The Danish Foreign Ministry yesterday confirmed statements by exporters that Iran has banned Danish imports by refusing to issue import licences.

Denmark's exports to Iran this year are worth about Kr.550m. (£57m.), of which over half consist of agricultural products. Iran is Denmark's third largest market for exports, of which it sells 18,000 tonnes worth Kr.275m. (£28m.) a year.

The import ban began on December 22, according to Mr. Poul Laur-Jensen of the Agricultural Council's Export Office. The Foreign Ministry has asked its ambassador to clarify the situation, but he is not expected to meet the authorities before the week-end.

UPI adds from Rome: The Italian Government said yesterday it has demanded an explanation about the reported Iranian trade boycott of Italy which it said would be "entirely incomprehensible." A Government news release said Italy had received no official notice of the boycott.

Tokyo further delays reply to U.S. on quotas

By Our Own Correspondent

TOKYO, Dec. 29. JAPAN HAS postponed its reply in the latest set of import liberalisation demands put to it by the U.S. until after the New Year holiday. It was announced today. A decision will "probably" be made by January 4 on whether or not to import increased quantities of beef, orange juice and citrus fruits as requested by Washington. It is quite possible that there may be yet another postponement.

The reason given for not meeting the deadline was that a mission from the Liberal Democratic Party is still in the U.S. explaining Japan's viewpoint on the liberalisation issue to U.S. politicians and testing their reactions. The Government wants to get a firsthand report from the mission before making a final decision.

The U.S. is demanding that Japan increase its import quota on quality beef for hotel consumption to 10,000 tons in the current year and to 15,000 tons in 1978. Japan has agreed to import 50,000 tons of citrus fruit. The latest position on these requests is that the Government has been unable to make any concessions on juice imports.

India signs Soviet trade pact

BY OUR OWN CORRESPONDENT

NEW DELHI, Dec. 29.

INDO-SOVIET trade will rise to Rs.10,500m. (about £674m.) in 1978 from Rs.9,500m. (about £574m.) this year, according to a trade protocol signed here at the conclusion of a visit by a Russian trade team.

The increase of 15 to 17 per cent in trade volume is accounted for by an additional 1.5m. tonnes of crude oil the Soviet Union will supply to India and matching exports from India.

The protocol was initiated by Mr. A. K. Nislev, of the Soviet Ministry of Foreign Trade and

Soviet-assisted projects in India. India will export non-traditional items like steel structures, batteries, garage equipment, hand tools, medical and surgical instruments, aluminium power cables, dry-cell cables and electronic instruments in addition to traditional exports like tea, coffee, spices and cashew kernels.

Important additions to the list of export items are machinery and equipment manufactured by industries set up in India with Soviet assistance, such items will be worth Rs.90m.

Mr. Suresh Kumar, Joint Secretary of the Commerce Ministry, said the pact will be signed at secretarial level. The Soviet Union will also supply industrial raw materials like kerosene and diesel oil, urea, DDT, sulphur and a number of non-ferrous metals like zinc, nickel, platinum and palladium.

The Soviet Union has also agreed to supply cotton, newsprint, asbestos, in addition to machinery and equipment including components, raw materials and spare parts for

London Chamber export finance panel

FINANCIAL TIMES REPORTER

THE London Chamber of Commerce and Industry is setting up an Export Finance Panel to advise exporters on the current effective voice of the current discussions about the finance of trade.

The Chairman of the Panel is to be Mr. Jim Rooke, former chief executive of the British Overseas Trade Board and now a director of Federal. Among the engineering companies support-

ing the panel are GKN, Babcock and Wilcox, J.C. Bamford, Excavators, Massey Ferguson, Sigmund Pumps and Pumps, and the British Chamber of Commerce. One of the main aspects of the panel's work will be to follow up the chamber's report on export projects published earlier this year. A number of construction companies are therefore joining the panel including C.R.B., Balfour Beatty and Strycon.

The finance side will be represented by Mr. John McDowell of Hill Samuel, Mr. James Todd of Cazzards, Mr. Ron Granger of Credit Agricole, Association, Mr. J. G. Poole of Lewis and Peet and Mr. William Sbarland of Gray and Dawes.

One of the first issues to be raised by the panel is likely to be the proposed move of ECOD's underwriting division to Cardiff.

Hilary Barnes adds from Copenhagen: Orders placed by Danish shipowners this year were the lowest for ten years, according to the Association of Shipowners. They totalled 77 vessels of 1.1m. d.w.t. tons of which 55 ships of 900,000 d.w.t. were placed with Danish yards. Ships on order at the end of this year were only a third of the tonnage on order three years ago, said the association.

Scrapping increase aids tanker owners

BY FAY GJESTER

OSLO, Dec. 29.

THOUGH THE world's shipowners and shipbuilders are working aggressively to adapt to new market conditions created by the prolonged crisis, vast surplus capacity still exists both in the shipbuilding and ship-owning sectors.

This is stated by the secretariat of INTERTANKO (the International Association of Independent Tanker Owners) which is based in Oslo in a year-end survey of the world tanker market.

While conceding the continued existence of a large surplus in capacity, the report points out that the gradual decline in deliveries of new tonnage, as existing contracts are completed, and a rise in scrap-

ping are working in favour of the owners. It recalls that in October of this year (though out for 1977 as a whole) scrap prices exceeded deliveries for the first time, and it forecasts that scrapping in 1978 will exceed deliveries by 700,000 tonnes deadweight thus reducing the total world tanker fleet from 332m. d.w.t. at January, 1978, to 331m. d.w.t. a year later.

Stressing the close relationship between shipbuilding and ship-owning, it urges governments to refrain from subsidy schemes, at taxpayers' expense, to build ships for which there is no commercial demand.

The report that the Japanese Government is planning to charter 25 200,000 d.w.t. tankers for oil storage purposes was welcomed here by an INTERTANKO spokesman. The report said the Japanese authorities would charter the tankers for two years from next May, thus removing 75m. tonnes from the tanker market for at least two years.

Hilary Barnes adds from Copenhagen: Orders placed by Danish shipowners this year were the lowest for ten years, according to the Association of Shipowners. They totalled 77 vessels of 1.1m. d.w.t. tons of which 55 ships of 900,000 d.w.t. were placed with Danish yards. Ships on order at the end of this year were only a third of the tonnage on order three years ago, said the association.

EXPORTING TO JAPAN

Local springboard for Beecham

BY CHARLES SMITH IN TOKYO

EXPORTING to Japan can be easier if you do it from somewhere close by rather than from somewhere far away (like Europe or the U.S.). This, in a nutshell, is why Beecham Group, of the U.S. has become a major industrial investor in Singapore (the largest recent British investor) with its \$550m. semi-synthetic penicillin plant.

Located in the Jurong industrial estate west of Singapore city, the plant is one of four that Beecham has around the world. The other three are in Belgium, the U.S. and at the Beecham headquarters in Worthing. It sells half its output to the supposedly ultra-competitive, ultra-discriminating Japanese so successfully that the company expanded its original downstream production facility with a new upstream plant only three and a half years after beginning operations in 1972.

Beecham had three reasons for setting up shop in Singapore. It needed additional capacity to supply the growing world market for semi-synthetic penicillin (a product which Beecham invented in the late 50s but which is now produced by most of its competitors). Also it made sense to be near Japan, a promising customer, so that problems of quality control could be solved more easily than if the supply source was on the other

side of the world. Finally, Singapore had the most to offer among South-East Asian countries as a manufacturing base (with the possible exception of Hong Kong where land was prohibitively expensive).

Mr. R. P. Allen, managing director of Beecham Pharmaceuticals (Pte.), the group's wholly-owned Singapore subsidiary, says the five-year tax holiday, followed by another five years of 95 per cent tax remission, that Singapore accords to "pioneer" (for example high technology) investors was a big attraction.

Coupled with this was the "ability to own our own company" and remit 100 per cent of profits "we take high risks and we don't want to cut ourselves out on the pay-off." Almost as important was the "English environment" of Singapore (meaning a similar approach to accounting and legal problems) and good communications—it takes three minutes to phone London.

As a base for supplying Japan, Singapore had the advantages of cheap and negotiable air freight (Singaporeans are used to Japanese as well as British business methods. "They are almost as meticulous in filling out forms as the Japanese themselves." Finally there was ample skilled labour of the kind Beecham needed.

Singapore has a good supply of chemical engineers by virtue of its position as the second largest oil refining centre in Asia, so Beecham easily picked up the raw material needed to build its present highly skilled labour force. Beecham is employing about 500 workers of whom around 100 per cent are university graduates. The company has not been asked to "Singaporeanise" its management, but it has made sense to do so to the extent that the company secretary, chief engineer and chief personnel officer (among others) are all Singaporeans.

The Jurong plant exports almost 100 per cent of its output (the reason being that the Singapore Government prefers to buy penicillin for its own national health service from cheaper suppliers in Italy and eastern Europe). It sells about half to Japan, mainly in the form of raw materials for subsequent processing and packing by Japanese pharmaceutical companies.

Most of the remainder goes to Asia, Africa and the Middle East, with some orders finding their way to Europe. Mr. Allen will not disclose the company's share of the Japanese semi-synthetic market, but describing it as "substantial" but far less than Beecham's second largest Singapore export to Japan and Beecham probably accounts for all of them.

Japan has a 10 per cent tariff on semi-synthetic penicillin but

the Beecham product gets in free if it comes from Singapore because of the Japanese generalised system of preferences (a tariff preference scheme for manufactured goods produced in developing countries). Most of the raw materials which Beecham ships into Singapore are also tariff-free, including penicillin G (the basic natural penicillin which is broken down into its nucleus form and then combined with new side-chains to produce the finished product).

Mr. Allen says he worries occasionally about Beecham's "over-exposure" in the event of trade problems between Japan and Singapore. He also stresses that Beecham does not want to trumpet its success too loudly—although the Singapore government, in search of further technology-orientated investment, would like it to do so. "Making money out of people being ill is something that calls for careful presentation when it comes to public relations."

However, Beecham definitely is making money in Singapore and it is more than holding its own in the Japanese market—where executives at Jurong conform to be the most fastidious and demanding in the world (as well as one where the company has to fight an almost continuous series of cases to protect its patents). The puzzle is why so few other European companies are doing the same.

TREND OF INDUSTRIAL PROFITS

Most company gains down slightly to average 27%

BY CHRISTINE MOIR

PROFIT TRENDS for the final group of companies reporting for the period between October last year and January this year differ only in minor detail from the earlier group whose statistics were published on June 24. In most cases, however, the adjustments have been downwards.

In the earlier group, first indications from nearly 400 industrial companies, for instance, were that trading profits had risen by 31.2 per cent.

The average for the 169 reporting this time is a 27.3 per cent increase, rather closer to the interim figure for companies reporting for the following period (January to April) of 28.2 per cent.

Return on capital is also slightly lower this time at 16.1 per cent, compared with 17.2 per cent. But in both cases there is a similar improvement over the previous year.

In the industrial sector, motor components continued to outstrip all other divisions, with a 192.7 per cent increase. This suggests that the 220 per cent improvement indicated

earlier was not as affected as thought by the massive turnaround through British Leyland losses.

At this stage, obviously, there was no sign of the problems now affecting companies in this field, which had begun to bite by the January-April period chopping the profit improvement to 50.9 per cent.

The average improvement for industrials overall, but particularly from consumer durables, has also been held back by the poor performance from household goods, up a mere 4.4 per cent. Nevertheless consumer durables still managed to put on 80.2 per cent in trading terms.

On the retail front, stores are a noticeable laggard, with a 0.6 per cent drop. This is, however, several points better than the earlier table indicated.

Hire purchase, laggard in the financial sector, seems virtually unchanged at a barely visible 0.2 per cent improvement.

Within commodities, tea shows the major change in direction, producing a 126.2 per cent increase, compared with a 14 per cent drop in the interim table.

TREND OF INDUSTRIAL PROFITS
ANALYSIS OF 707 COMPANIES

The Financial Times gives below the table of company profits and balance-sheet analysis. This covers the results (with the preceding year's comparison in brackets) of 707 companies whose account year ended in the period between October 15, 1976, and January 14, 1977, which published their reports up to the end of November, 1977. (Figures in £000.)

INDUSTRY	No. of Cos.	Trading Profit (1)	Profit before Int. & Tax (2)	Pre-Tax Profit (3)	Tax (4)	Earnings for Ordinary Dividends (5)	% change (6)	Ord. Dividends (7)	% change (8)	Cash Flow (9)	Net Capital Employed (10)	Net Current Assets (11)	Turn on Cap't (12)	Turn on Curr. Assets (13)
BUILDING MATERIALS	54	443,947 (251,478)	+20.9 (175,337)	118,380 (75,336)	270,223 (306,448)	128,635 (104,078)	+24.1 (26,233)	44,794 (27,299)	+20.0 (17,495)	129,051 (1,261,336)	1,901,037 (1,561,336)	142 (1,561,336)	168 (1,561,336)	588,718 (1,561,336)
CONTRACTING & CONSTRUCTION	41	297,269 (224,164)	+28.0 (171,581)	172,888 (122,948)	90,269 (72,399)	61,164 (51,754)	+54.8 (9,410)	14,077 (11,769)	+19.7 (2,308)	132,875 (98,959)	1,160,288 (869,590)	124 (869,590)	127 (869,590)	873,774 (869,590)
ELECTRICALS (EX. ELECTRON. STG.)	20	109,378 (87,267)	+25.3 (64,008)	86,860 (67,208)	23,511 (20,149)	26,082 (20,183)	+29.3 (5,899)	12,854 (10,130)	+24.0 (2,724)	35,814 (39,123)	214,477 (237,477)	181 (237,477)	181 (237,477)	944,711 (944,711)
ENGINEERING	91	849,631 (694,305)	+27.5 (564,594)	691,537 (564,594)	570,497 (462,657)	389,665 (320,313)	+32.4 (69,352)	77,798 (197,530)	+15.4 (119,732)	345,914 (244,949)	4,090,520 (3,376,370)	173 (3,376,370)	173 (3,376,370)	1,608,718 (1,608,718)
MACHINE TOOLS	8	19,950 (17,572)	+10.1 (15,635)	15,826 (10,181)	8,923 (5,671)	7,958 (4,216)	+12.1 (3,742)	2,186 (1,908)	+24.8 (2,780)	7,827 (8,504)	94,704 (83,911)	163 (83,911)	163 (83,911)	56,835 (56,835)
MISC. CAPITAL GOODS	20	184,746 (112,496)	+20.8 (26,275)	124,770 (71,740)	46,824 (39,933)	45,335 (30,788)	+50.7 (14,547)	16,913 (14,533)	+11.2 (2,380)	56,323 (54,973)	711,868 (649,730)	173 (649,730)	173 (649,730)	255,244 (255,244)
TOTAL CAPITAL GOODS	224	1,075,961 (1,471,079)	+25.7 (1,129,359)	635,827 (690,500)	504,484 (488,546)	345,899 (339,577)	+37.0 (6,322)	167,253 (142,006)	+17.6 (25,247)	770,023 (668,897)	5,737,196 (7,044,499)	173 (7,044,499)	173 (7,044,499)	2,061,1 (2,061,1)
ELECTRONICS RADIO & TV	7	65,027 (39,133)	+0.1 (30,595)	31,128 (23,097)	40,162 (37,074)	19,978 (18,912)	+24.0 (1,066)	3,215 (3,286)	+66.0 (7,071)	30,148 (17,407)	211,282 (178,684)	94.2 (178,684)	94.2 (178,684)	68,718 (68,718)
HOUSEHOLD GOODS	23	51,542 (49,379)	+4.4 (39,806)	41,023 (36,283)	37,054 (36,283)	17,957 (12,775)	+13.9 (5,182)	5,370 (5,989)	+3.7 (6,619)	61,139 (19,988)	219,958 (198,045)	127 (198,045)	127 (198,045)	182,021 (182,021)
MOTORS & COMPONENTS	12	193,027 (128,606)	+42.3 (80,318)	107,031 (41,837)	90,582 (40,330)	69,579 (32,930)	+18.2 (36,649)	8,895 (7,070)	+25.7 (1,825)	58,845 (13,591)	1,066,882 (844,851)	402 (844,851)	402 (844,851)	277,378 (277,378)
MOTOR VEHICLES	23	244,106 (83,405)	+32.7 (19,893)	174,778 (19,893)	93,984 (11,180)	62,930 (31,218)	+19.8 (31,712)	9,279 (4,433)	+41.7 (10,668)	115,172 (10,668)	995,094 (749,504)	173 (749,504)	173 (749,504)	2,700 (2,700)
TOTAL CONSUMER DURABLES	85	541,711 (500,569)	+20.2 (170,566)	325,854 (170,566)	256,652 (200,231)	173,224 (81,477)	+34.6 (91,747)	66,950 (20,747)	+29.9 (46,203)	319,010 (57,420)	2,405,106 (2,108,106)	853 (2,108,106)	853 (2,108,106)	853,411 (853,411)
BREWING	7	5,334 (2,634)	+34.1 (2,698)	2,678 (2,324)	3,190 (1,908)	1,944 (1,089)	+37.3 (806)	567 (256)	+91.9 (311)	1,068 (991)	12,407 (10,200)	98.4 (10,200)	98.4 (10,200)	1,133 (1,133)
CONDIMENTALS & FLAVORS	5	12,650 (14,639)	+34.2 (11,818)	5,804 (7,966)	11,448 (7,966)	5,693 (4,401)	+25.4 (1,292)	1,955 (1,458)	+6.9 (500)	2,051 (4,202)	112,983 (40,418)	15.1 (40,418)	15.1 (40,418)	46,649 (46,649)
HOIST & CATERING	9	63,418 (65,400)	+31.3 (34,743)	37,114 (34,743)	14,577 (14,544)	12,825 (6,241)	+95.9 (6,584)	9,351 (5,781)	+21.6 (3,570)	18,026 (13,978)	444,253 (367,173)	30.8 (367,173)	30.8 (367,173)	12,833 (12,833)
GENUINE	12	68,932 (43,605)	+35.6 (25,327)	41,035 (30,241)	32,278 (16,800)	17,900 (13,048)	+37.5 (4,852)	8,863 (4,674)	+42.6 (4,189)	17,899 (15,133)	131,931 (126,805)	33.1 (126,805)	33.1 (126,805)	10,005 (10,005)
FOOD MANUFACTURING	15	645,217 (466,166)	+28.4 (179,050)	343,009 (179,050)	461,035 (411,233)	212,332 (158,139)	+60.9 (54,193)	50,631 (32,174)	+53.5 (18,457)	256,633 (180,045)	2,865,784 (1,827,089)	940 (1,827,089)	940 (1,827,089)	943,940 (943,940)
FOOD RETAILING	7	18,435 (14,806)	+30.1 (11,818)	13,289 (10,610)	15,386 (10,610)	8,665 (5,428)	+41.4 (3,237)	1,701 (1,233)	+18.2 (5,055)	9,778 (5,184)	89,330 (64,811)	86.3 (64,811)	86.3 (64,811)	1,680 (1,680)
NEWSPAPERS AND PUBLISHING	22	105,594 (85,750)	+20.9 (64,469)	64,469 (55,746)	70,991 (65,746)	37,181 (30,666)	+29.2 (6,515)	10,270 (9,109)	+12.7 (1,161)	56,648 (39,935)	421,390 (278,370)	80.0 (278,370)	80.0 (278,370)	96,135 (96,135)
PACKAGING AND PAPER	14	96,883 (67,537)	+10.5 (65,078)	65,078 (59,805)	53,597 (49,860)	22,029 (24,779)	+14.3 (2,750)	9,819 (8,149)	+7.1 (1,670)	39,894 (35,699)	267,694 (229,071)	17.9 (229,071)	17.9 (229,071)	162,461 (162,461)
STORES	3	5,311 (3,311)	-0.3 (2,000)	2,628 (2,000)	3,215 (2,324)	1,944 (1,089)	+37.3 (806)	567 (256)	+91.9 (311)	1,068 (991)	12,407 (10,200)	98.4 (10,200)	98.4 (10,200)	1,133 (1,133)
CLOTHING AND FOOTWEAR	55	69,796 (31,406)	+20.8 (39,710)	46,999 (30,097)	52,835 (32,868)	21,198 (13,902)	+10.5 (7,296)	6,294 (5,453)	+17.1 (8,741)	24,771 (17,456)	250,974 (190,900)	32.2 (190,900)	32.2 (190,900)	112,744 (89,200)
TEXTILES	17	110,018 (66,404)	+0.7 (49,458)	62,854 (49,458)	81,232 (58,328)	58,507 (19,068)	+15.1 (37,439)	9,265 (9,018)	+9.3 (2,247)	45,781 (22,563)	446,286 (14,588)	20.0 (14,588)	20.0 (14,588)	221,580 (221,580)
TOBACCO	2	201,848 (132,019)	+10.0 (69,829)	126,183 (107,343)	55,335 (40,200)	64,923 (38,947)	+22.0 (25,976)	20,275 (19,451)	+10.6 (8,224)	99,594 (49,989)	1,182,814 (933,466)	16.0 (933,466)	16.0 (933,466)	328,411 (328,411)
TOYS AND GAMES	3	19,000 (12,246)	+55.1 (10,717)	10,234 (9,442)	5,859 (3,590)	7,342 (3,841)	+26.7 (3,501)	1,875 (1,125)	+48.9 (7,650)	7,593 (3,760)	35,211 (30,918)	39.6 (30,918)	39.6 (30,918)	29,936 (16,633)
TOTAL CONSUMER NON-DURABLES	151	1,125,657 (1,079,637)	+21.1 (1,079,637)	715,323 (697,121)	673,828 (629,232)	442,290 (341,776)	+46.1 (100,514)	143,793 (119,019)	+20.3 (24,774)	321,554 (373,753)	3,755,563 (3,037,043)	203 (3,037,043)	203 (3,037,043)	1,007,564 (1,007,564)
CHEMICALS	23	1,166,882 (931,305)	+24.3 (81,206)	704,259 (588,786)	704,259 (588,786)	324,861 (240,860)	+39.0 (84,001)	111,517 (83,966)	+33.2 (27,551)	474,917 (374,723)	4,765,947 (3,622,628)	17.9 (3,622,628)	17.9 (3,622,628)	1,883,908 (1,883,908)
OFFICE EQUIPMENT	6	17,890 (13,467)	+20.5 (10,948)	10,571 (8,934)	12,045 (9,734)	67,536 (41,568)	+28.6 (25,968)	16,361 (16,363)	+12.1 (0,002)	11,892 (46,494)	84,774 (769,343)	16.9 (769,343)	16.9 (769,343)	112,244 (112,244)
SHIPPING	14	225,294 (241,239)	+27.3 (154,777)	134,777 (98,791)	69,746 (2,026)	91,122 (63,391)	+71.1 (27,731)	24,610 (11,880)	+13.8 (12,731)	137,381 (1,044,944)	1,044,944 (2,864,371)	11.0 (2,864,371)	11.0 (2,864,371)	105,738 (105,738)
MISC. INDUSTRIAL	65	449,281 (348,879)	+29.0 (295,348)	269,038 (198,810)	124,336 (103,274)	117,648 (77,142)	+43.4 (40,506)	39,025 (30,010)	+12.5 (9,015)	159,728 (1,180,505)	1,990,048 (1,696,944)	17.8 (1,696,944)	17.8 (1,696,944)	87,044 (412,177)
TOTAL INDUSTRIALS	109	3,112,657 (1,659,460)	+27.3 (1,155,772)	1,856,572 (966,292)	588,940 (490,580)	345,899 (240,339)	+44.0 (105,560)	129,878 (155,442)	+24.6 (74,666)	951,832 (648,718)	9,899,035 (6,200,122)	16.1 (6,200,122)	16.1 (6,200,122)	2,706,211 (2,706,211)
FINANCIAL	7	92,125 (5,242,232)	+15.3 (3,057,291)	57,121 (2,852,466)	5,717,867 (5,399,077)	666,105 (1,613,358)	+29.7 (946,253)	154,890 (140,415)	+10.1 (14,475)	1,018,000 (9,169)	10,350,259 (9,280,544)	64.3 (9,280,544)	64.3 (9,280,544)	9,042,858 (9,042,858)
BANKS	3	92,125 (656,244)	+43.0 (809,832)	780,281 (469,481)	308,080 (469,481)	321,234 (306,704)	+55.5 (14,530)	72,098 (56,557)	+22.8 (15,541)	288,294 (297,578)	4,306,774 (5,836,477)	15.1 (5,836,477)	15.1 (5,836,477)	1,711,111 (1,711,111)
DISCOUNT HOUSES MERCHANT BANKS	4	86,337 (2,448)	+17.4 (-)	(-)	(-)	9,830 (9,330)	+5.3 (500)	6,188 (6,008)	+4.9 (180)	1,555,904 (2,500,428)	85,757 (85,330)	85.7 (85,330)	85.7 (85,330)	85,757 (85,330)
MISC. FINANCIAL	3	22,023 (85,169)	+0.2 (24,461)	9,556 (6,457)	5,070 (6,397)	4,391 (2,887)	+32.1 (1,504)	2,126 (1,553)	+12.8 (568)	2,681 (1,323)	170,275 (77,727)	14.6 (77,727)	14.6 (77,727)	67,643 (67,643)
INSURANCE	18	246,835 (286,009)	+54.1 (-)	(-)	(-)	229,466 (337,129)	+71.4 (107,663)	181,123 (337,129)	+12.9 (156,006)	13,780,793 (11,494,933)	(-)	(-)	(-)	984,617 (760,737)
INSURANCE BROKERS	7	147,420 (125,051)	+29.7 (105,940)	105,940 (89,089)	62,869 (62,869)	48,296 (28,031)	+69.0 (20,265)	15,515 (28,031)	+56.3 (3,484)	11,822 (66,266)	916,851 (916,851)	12.9 (916,851)	12.9 (916,851)	97,914 (97,914)
INVESTMENT TRUSTS	68	91,790 (81,390)	+12.0 (80,670)	72,822 (60,670)	39,046 (28,141)	43,215 (30,603)	+10.5 (12,612)	9,350 (8,130)	+14.7 (1,220)	3,750 (2,711)	1,580,546 (1,580,546)	6.7 (1,580,546)	6.7 (1,580,546)	1,580,546 (1,580,546)
PROPERTY	19	146,854 (124,274)	+17.4 (121,101)	121,101 (87,769)	25,377 (10,435)	12,490 (11,758)	+15.6 (7,731)	10,572 (7,951)	+29.8 (2,621)	8,215 (7,959)	1,882,078 (1,583,071)	7.5 (1,583,071)	7.5 (1,583,071)	7,431 (7,431)
MISC. FINANCIAL	6	21,771 (13,734)	+16.8 (16,296)	18,906 (9,443)	7,036 (6,443)	4,657 (2,899)	+9.5 (1,758)	2,300 (1,758)	+11.6 (552)	4,616 (2,709)	92,292 (2,709)	20.3 (2,709)	20.3 (2,709)	53,026 (53,026)
TOTAL FINANCIAL	128	1,789,196 (1,870,458)	+25.5 (1,776,659)	1,006,417 (862,517)	491,546 (462,249)	686,708 (562,249)	+54.6 (124,459)	287,123 (235,583)	+15.4 (51,540)	494,890 (422,778)	10,350,259 (9,280,544)	14.3 (9,280,544)	14.3 (9,280,544)	11,712.5 (11,712.5)
MISCELLANEOUS	8	33,426 (21,599)	+0.7 (18,249)	18,215 (10,316)	11,325 (10,316)	5,506 (5,506)	+95.1 (0,000)	4,576 (4,576)	+80.0 (0,000)	7,237 (7,237)	118,189 (118,189)	12.6 (118,189)	12.6 (118,189)	25,076 (25,076)
TRADING	3	15,597 (7,517)	+28.2 (15,723)	15,723 (14,708)	10,221 (9,221)	4,368 (2,071)	+118.5 (2,297)	904 (904)	+62.0 (0,000)	4,194 (3,029)	34,968 (27,542)	49.3 (27,542)	49.3 (27,542)	6,704 (6,704)
CLY	1	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
MISCELLANEOUS MINING	1	369 (661)	+34.8 (543)	336 (559)	142 (225)	194 (296)	+34.8 (102)	167 (148)	+0.8 (19)	2,963 (6,025)	11.3 (6,025)	11.3 (6,025)	11.3 (6,025)	-519 (-519)

HOME NEWS

Big drop in output of oil refineries

By Ray Dafer, Energy Correspondent

THE PARLOUS state of the oil refinery industry is emphasised in two new reports on the energy industry.

Refinery output of products during the period August to October was nearly 1.7m. tonnes or 7 per cent. lower than in the corresponding months last year, according to the Government's latest Energy Trends.

The demand for fuel oil fell by a further 14 per cent. during the period, accounting for two-thirds of the total decline.

The drop in sales for most products, with the exception of burning oil, meant that throughput of crude oil in the period January-October was 77.7m. tonnes as against 80.4m. tonnes in the 10-month period last year.

Demand for refined products this year has been among the lowest since before the energy crisis in 1973. The throughput of crude in that year was 114m. tonnes.

Plight

The economy's continuing depressed state, energy conservation measures and increasing competition from the gas industry are some of the causes for the oil industry's plight.

Latest oil industry statistics published by the brokers Fleming, Newton-Smith and Co., suggest that U.K. refinery utilisation to the third quarter fell to 59 per cent, as against 62 per cent. in the third quarter of 1976.

Energy Trends shows that in contrast to the oil industry, gas sales increased substantially in the period September to November.

The amount of gas sent out during the three-month period was 3.6m. tonnes, 7.3 per cent. higher than in the comparable period of 1976.

Total electricity supplied during the August-October period was 6.6 per cent. up on last year, while energy consumption as a whole—taken on a primary fuel input basis—rose 3.3 per cent. during the period.

In October, which was very mild, consumption of energy fell below last year's level for the first time since March.

The seasonally-adjusted and temperature-corrected figures indicate that of the major fuels natural gas consumption and oil deliveries increased during the August to October period while the level of coal consumption remained stable.

Total coal production during the September to November period was 31m. tonnes, 300,000 tons less than the comparable period last year, although open-cast output rose by 700,000 tons.

U.K. given £52m. loan for power station

By Roy Hodson

A £52m. LOAN has been made by the European Investment Bank towards the £360m. advanced gas-cooled reactor power station being built at Heysham, Lancs., by the Central Electricity Generating Board.

The loan made to the Electricity Council as the body responsible for finance, is for 15 years at 8.65 per cent.

One of three reactors being built in Britain, Heysham is due to start producing power for the national grid early in 1980.

The bank has lent £316m. towards new investment in British energy projects out of total loans to Britain of £879m.

BANK RETURN

	1977	1976
BANKING DEPARTMENT		
LIABILITIES		
Capital	14,563,000	14,563,000
Public deposits	30,498,811	31,129,303
Special deposits	1,194,926,000	75,000
Other deposits	2,263,236	2,263,236
Reserves & Other	694,228,280	17,448,416
Assets	2,263,236,280	26,746,320
Govt. Securities	1,256,161,037	273,294,989
Advances & Other	280,597,528	322,220,083
Other	726,477,715	12,336
Other	23,140,362	7,196,276
Other	21,858	8,579
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Start recommended on sea gas plan

By Ray Dafer, Energy Correspondent

AN OFFICIAL report on gas collection in the North Sea has recommended a start on the first stage of a pipeline network costing an estimated £250m.

The report, now being examined by the Department of Energy, is believed to stress, however, that more time is needed to study the merits of a much bigger collection system.

It now seems almost certain that the Government will sanction the construction of an initial system based on the Frigg gas line, already in operation, and the Brent gas line now under construction.

This would involve building spur lines to link northern fields like Thistle, Ninian and Murchie to the Brent system, and Piper and Tartan, among others, to the Frigg system. The Piper and Tartan links are already in the planning stage.

Pipelines (North Sea), a consultative company set up by the Government with both private and State-owned interests, has apparently accepted that a limited first stage project is necessary if oil companies are to avoid flooding the market with gas. Much of the gas will be produced together with oil.

However, the still-secret document is inconclusive about the need for a big gas gathering network, based on one or two gathering lines and perhaps costing £50m.

The company has considered options including construction of a system to carry gas from both the U.K. and Norwegian sectors, an onshore trunk line and a cross-Channel link.

British Gas is known to have reservations about the viability of such an ambitious project and about the wisdom of constructing a pipeline to the Continent.

It has argued that the U.K. should aim at conserving North Sea gas reserves for as long as possible and is concerned that cross-Channel pipeline might encourage a faster rate of exploitation.

In deferring a recommendation about the need for a major gas gathering network, the consultative company may be attempting to buy time to obtain more agreement among its various members.

Apart from British Gas, the company includes the British National Oil Corporation, British Petroleum, Imperial Chemical Industries, Rio Tinto-Zinc and a French group comprising Total and Elf.

The Energy Department has given BP permission to drill a second production well on the Buchan Field. But the Department is withholding full development permission until it has completed its review of BP's plans for an early production system based on a converted semi-submersible rig.

Sea and Land Pipe Lines has been awarded a £7m. contract to build four production units for Shell/Esso's Cormorant A platform. The modules will be constructed at Sea and Land's Lowestoft yards where, at the height of the project, more than 400 workers will be employed.

Mr. Terry Parry (left), general secretary of the Fire Brigades Union, and Mr. Wilf Barber, president, arriving at yesterday's executive meeting in London at which it was decided to seek a meeting with the Prime Minister and the employers in an end to the eight-week-old strike by firemen over pay.

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Lord Robens fears fresh mistakes in energy policy

By John Lloyd

A WARNING that the recently set up Energy Commission would repeat the mistakes made in energy policy in the 1960s came yesterday from Lord Robens of Woldingham, National Coal Board chairman from 1961 to 1971.

Lord Robens writes in the Board's quarterly journal, Coal and Energy: "Each energy industry is fundamentally concerned with its own future—not the collective advantage. The new Energy Commission consists of all the people who will be thinking exactly as their predecessors thought in the sixties."

There should be "a powerful, independent energy commission, upon which will sit people who are completely independent of the energy industries themselves."

Representatives from the energy industries will be able to make submissions and to appear before the commission and give some oral evidence.

"But only people with no axe to grind, but only the national interest to serve, can actually produce an energy policy that makes sense."

Lord Robens' comments are made in the context of a review of a recent book, Coal of the Twentieth Century, by Dr. Israel Berkovitch. He says that the review allows him to "lift the lid on the 10 years as Coal Board chairman."

The book demonstrated "how important and grievously wrong the Civil Service and their political masters" were on energy policy in the sixties.

"These assurances were given at a time when the Department concerned was planning for a much lower figure. Indeed, at one time, the plan was to reduce the industry to 50m. tonnes a year, but the Board dug in their heels and had the figure taken out of the White Paper."

At the root of much of the misjudgment was the belief that supplies of oil from the OPEC countries would remain both plentiful and inexpensive.

This led civil servants and politicians to the view that the contrary argument advanced by the Coal Board and the National Union of Mineworkers was merely self-seeking.

"If the advice of the Coal Board had been only partially heeded, the country's economy would not have been so disastrously affected by the oil price rise of 1973."

"The damage they (the civil servants) did in the misjudgment of the oil situation left an irremovable scar on the economic health of the nation."

One passage Lord Robens quotes from the book describes the argument he had with Mr. James Callaghan, then Chancellor, over the future of the coal industry.

Mr. Callaghan told him: "I could not find an alternative to the whole of the Treasury who would accept your argument (that coal production should not be cut down)."

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Pit overtime ban continues

By Ray Perman, Scottish Correspondent

MINERS at Salsburgh Colliery in Scotland voted yesterday to continue their overtime ban until the result of productivity talks with the National Coal Board is known next month.

The men, whose five-day strike before Christmas forced a change by the militant Scottish

area of the National Union of Mineworkers, want a local pit incentive scheme rather than the area scheme sought by the union.

Meanwhile, Mr. David Bolton, who was defeated in the ballots this week for Scottish secretary and executive member of the union, said yesterday that he would resign as Scottish vice-

president and return to his pit job.

Mr. Bolton, who also resigned from the Communist Party after 30 years, said that he was unhappy at the way the ballot was handled. He claimed that he had been ostracised by Mr. Mick McGahey, Scottish president of the miners' union.

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'Gradual' recovery forecast

By Peter Riddell, Economics Correspondent

THE RECOVERY in Britain's economy will remain "very gradual" in the coming three months, according to a survey of production and staffing intentions carried out by Macropower, the service and employment organisation.

The survey—among senior executives in 2,055 organisations covering more than 1.1m. employees—shows that a net balance of 11.1 per cent. of companies expects a rise in staff numbers during the first quarter of 1978 rather than a decline.

This is less than the net balance of 15.5 per cent. in the final quarter of this year but well above the figure of 3.9 per cent. in the first quarter.

The net balance of companies expecting a rise in their production rather than a decline is 19.3 per cent. in the January-March quarter, compared with 30.2 per cent. in the last three months of this year.

More than half the companies questioned expect no change in their production levels during the next quarter.

Overall, Macropower concludes that after holding steady for six months, there are some signs that the increase in business confidence established in the second quarter of this year is slowing.

In the coming months, the manufacturing sector is expected to be more active than services, and, according to the survey, optimism is highest in vehicle manufacturing and engineering.

Above-average increases in production during the coming quarter are forecast in vehicle manufacturing, light, heavy and electrical engineering, chemical manufacturing, public utilities, banking and insurance.

Above-average net increases in staffing are forecast in vehicle manufacturing, engineering, clothing manufacturing and insurance. A fall in the number of employees is forecast in local government and private building.

The Aberdeen area of Scotland, the west Midlands, Home Counties and North East England are the most bullish regions about expected increases both in production and staffing.

The most depressed regions are North West England, the South West and the East Midlands.

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Decline in tax burden likely

By Our Economics Correspondent

SCOPE FOR a substantial decline in the tax burden during the next few years is indicated by an analysis of the likely trend of public sector borrowing by the stockbrokers Fleming, Newton-Smith and Co.

On the basis of present policies, the borrowing requirement in 1979-80 could drop to as low as £44m., compared with the present official projection of £70m. and an international Monetary Fund ceiling of £5.6m., say the brokers.

A fiscal injection of between £2.5m. and £2.75m. in the spring would still generate a borrowing requirement no higher than £44m. in 1979-80.

The projection rests on the assumption that cash limits will be held to the public sector and is based on an average inflation rate of 10 per cent., real growth in public spending of 1.5 per cent. and a real rise in Gross Domestic Product of 2.75 per cent.

Therefore, the public sector should not be "crowding out" the private sector during the 1975-79 economic upswing, the brokers say.

Sue Cameron on why the youthful head of Perkins Engines is retiring tomorrow

A 'second life' at 50

PETER WRIGHT, chairman and managing director of the Perkins Engines Group, decided he was 54 that he would retire at 50 and start a second life. He has been his dead-end job for a year but says he has to work hard to fulfil his ideal career ambitions within a limit.

His retirement was announced after this month and he is planning to take a few months' rest before making a decision about his future. He will probably go in for game fishing although he has no intention of severing his links with the industry completely.

Even though the 30 years he spent in a harsh and competitive industrial world are behind him, he already has a tendency to refer to his job at Perkins as "my first life" and this gives his conversations an arresting quality.

Mr Wright lists a number of reasons for embarking on a "second life" at 50. Yet the obvious—that of wanting to

concentrate on some longstanding hobby or interest—is not among them. He likes shooting and he is considering buying a game farm in Scotland, but he might try sheep farming instead. He is still not certain. And he is not even sure that he will be able to afford to buy a farm at all.

He says it is necessary to stop and take stock before deciding. One of the reasons why he has given up the chairmanship of Perkins Engines is that his life has become "progressively more hectic" over the last few years. He has not had time to play golf, which he enjoys doing, since 1973.

Another reason for his determination to go is that he believes that it is a good general principle for chairman and managing directors to limit the period they spend in these top jobs. He reckons that most chief executives do their best work within the first two to four years of taking up their posts.

He adds that those who stay on for many years will sooner or

later find their own decisions "coming round again." Several years earlier they may well have made a correct decision on a particular issue but now a new course of action may be required. And as chief executives grow older they become less and less willing to change their ideas.

Mr Wright also points out that a chief executive who clings to his position for too long will end up by becoming a block on the promotion line. Able people, coming up the ladder, will become frustrated and they will start looking for jobs elsewhere. Another factor in his decision was the realisation in 1982, while suffering from a rare strain of tuberculosis, that there was more to life than just one job, however successful.

Originally, Mr Wright planned to leave Perkins at the end of 1978. He has brought his retirement date forward because he thinks this will suit the company—as well as himself—better. He says that com-

panies go through cycles and it is better to have a new man at the helm when one is just beginning.

He cites Massey Ferguson—parent of Perkins—as an example. The group's sales are being maintained at a steady rate but its profits are down on last year. The management will have to rectify this and although that in itself may not take too long, the whole operation of organising changes and improving performance in the longer term, will last for considerably longer than a year.

Mr Wright says his family is delighted that he has given up his responsibility at Perkins but he adds that they were not surprised by his decision.

He has three children, all of whom are either at school or university. He knew that when he finished his "first life" none of them would have finished their education but over the years he has made provision for this.

He gives the impression of



Peter Wright

being a man with a low boredom threshold. He reckons a Mediterranean villa would become tedious "after the first ten minutes." In his second life, he is hoping to take on some non-executive directorships. But he stresses that he will not be the kind of non-executive director who confines himself "to turning up for meetings every three months."

Why pressure is falling in the executive drain

By Nicholas Leslie

SENIOR managers in the U.K. are no longer being enticed overseas in increasing numbers by such prospects as low taxation and high pay, according to a survey to be published next week.

The annual survey, the fourth of its type to be carried out by Business Development Consultants (International), shows that in contrast with the experience of earlier years when there was a considerable eagerness among managers to move overseas, the number of senior British managers actively to seek jobs abroad dropped by one-third in 1977.

The survey was conducted among managers in the Times' 1,000 list of top companies. Of these, 410 replied, receiving 858 responses. Of these, 22 per cent were in their 40s; 43 per cent in their 50s; 14 per cent were receiving under £10,000 in annual salary; 32 per cent were

getting between £10,000 and £15,000; and 54 per cent were receiving above £15,000.

The level of willingness to work overseas has fallen to the level of 1974. Whereas 86 per cent of respondents were more willing to work overseas in 1976, just 57 per cent gave the same response this year. In 1975 the more willing response was 80 per cent and in 1974 it was 58 per cent. Those actively seeking a job overseas numbered just 18 per cent of the total against 27 per cent of respondents this year, compared with 52 per cent last year and 28 per cent in 1974.

According to BDC the results of the survey suggest that senior managers now feel there is a healthier social climate for them in Britain. At the same time, because of their growing awareness of the heavy turnover in expatriate managers in some parts of the world, they are questioning more the reputed benefits of working overseas.

One of the most notable shifts in opinion in the past four years has been in the degree of jealousy which senior managers feel has been levelled at them. In 1974, 40 per cent of respondents put the jealousy of others as a reason for wanting to quit the U.K.—which was the highest response to any of five reasons cited. This year only 2 per cent put forward such a reason. Meanwhile, the lure of greater total rewards overseas has been cited by 56 per cent of respondents this year, compared with 52 per cent last year and 28 per cent in 1974.

Other reasons given were lower taxation abroad (26 per cent in 1977), higher living standards (14 per cent) and opportunities for children (2 per cent).

Working Abroad 1977, available from Business Development Consultants (International), 26 Dorset Street, London, W.1, price 25.

CRITICISM of the recent book by us, discussing government policy towards the merger of quoted companies, tends to the general form of attack: the universal indictment of a book which the book is said to make, on the grounds that it is a limited set of statistics, specifically, this shakiness alleged on three separate points. The first is that the book relates only to a misleading sample of companies. The second is that it is a mistake to attribute the post-merger stability changes typically

to the impact of the merger, rather than to other factors. The third is that the book's investigation is limited to the impact of the merger, rather than to other factors. The third is that the book's investigation is limited to the impact of the merger, rather than to other factors.

justice to the book not, as has been suggested, change wisdom of the policy change heralded by the Prime Minister and now to be considered in depth by the team announced by Mr. Hattersley.

Messrs. Adamson and Pratzen (this page, November 25) are among those who make the charge that the criteria for a company's inclusion in the study are too restrictive and lead to distortion. They state that "the largest companies are often excluded from Dr. Meeks' data since they are usually multiple acquirers... [companies which] do not try [merger] again, are the only ones considered." But this is incorrect. Multiple acquirers are included in the book's investigation (see "Disappointing Marriage..." [DM], p.18). The only restrictions on frequent acquirers are that, for consistency, attention is limited to their record between their first merger of the period and that, so as to ensure an adequate reference period, an initial three-year spell free from merger is required. It seems unlikely that the limitations will have biased the result, for the frenetic acquirers had already been the subject of a

Mergers—a riposte

By Gay and Geoff Meeks

separate academic study whose qualitative conclusion did not differ from that of DM (see DM, p.30).

What is more, companies which are larger than average tend to be particularly well-represented in the book, since the acquiring companies were, prior to merger, bigger on average than the typical member of their industry (see DM, p.19).

Control group

Adamson and Pratzen also allege that, by failing to investigate the performance of celibate companies, the study excludes the necessary control group; for in their view "the set of celibate companies" (though, an imperfect control available). But in fact the book does compare married companies with "celibate" ones—themselves in their former celibate state: the

married company's performance is measured against the alternative control of average performance of bride and groom before their union.

On the basis of their own control group, Adamson and Pratzen raise the question whether "the profitability of... celibate companies... is... falling." It might be the case that any decline in profitability for merged companies that occurred had little to do with mergers, but rather occurred for the same reasons that profitability fell for the celibate companies. This leads them to the "major point... that the result of a myriad of factors cannot be attributed solely to the effect of merger." But here their proposed comparison runs into difficulties, since it relies on misreading the book's findings on merger. Contrary to their claim, the study does not show "that the profitability of the merged firms (as a group) fell

over a period of time." Nor does it "implicitly assume," as they maintain, that the wholly celibate group of companies will enjoy a rising trend in relative profitability over time. What the book does show is that the typical profile for the profitability of two merging companies (with different pairs merging at different dates) displays a pre-merger rising trend, halted and even slightly reversed after amalgamation.

However, a related point might seem to have force against the comparisons actually drawn in the book. For in company comparisons of "before and after" kind, observations are necessarily drawn from two different time periods, and so firm-wide trends in each side of the comparison may have changed significantly in the interim. But the book is alive to this difficulty and makes a serious attempt to allow for it.

The method, often overlooked by critics, is to adjust the amalgamation's profitability record figures for changes in the fortunes of the participants' industry, changes which may be associated, for instance, with cyclical factors or trend movements (see DM, p.15). On this basis only declines in profitability greater than those experienced by the industry are attributed to merger. Moreover, adjustment is also made for the downward bias in profitability which can be imparted by some accounting procedures that are used by merging companies (see DM, p.18).

Of course there remain some random factors. For instance, for all we know, the data may include a case in which the managing director of the acquirer happened to be struck dead by lightning the very day after a merger. But it seems a fair assumption that, in tests involving over 200 amalgamations, unhappy accidents in one firm will tend to cancel out, leaving there is a long-run confidence in the maintenance of achievement and economies of scale. It is difficult to assess the best compromise between scale and competition. In these

circumstances—and failing any proof of another saving grace—the doubts over competition must now win the day. The evidence of the book and of previous studies by Newbold, Singh, Sutherland and Urton, that efficiency gains are not, after all, a typical outcome of merger?

Staved off

It is evident from government statements that this effect is held to be generally adverse and that a more restrictive merger policy has previously been staved off only by belief in some typical efficiency gains as a redeeming feature. That is why, if the hoped-for gains have on average not materialised, the rationale of the prevailing presumption in favour of merger is for all we know, the data may include a case in which the managing director of the acquirer happened to be struck dead by lightning the very day after a merger. But it seems a fair assumption that, in tests involving over 200 amalgamations, unhappy accidents in one firm will tend to cancel out, leaving there is a long-run confidence in the maintenance of achievement and economies of scale. It is difficult to assess the best compromise between scale and competition. In these

Last but not least, the book does not recommend a blanket hostility towards the merger of quoted companies, as critics have tended to suppose. Rather, it argues that the best of both worlds might be achieved by sanctioning just those marriages which promise non-trivial social gains. Similarly, in his recent hint of policy change, the Prime Minister insisted that "some mergers are good and they should be supported." For the "good" merger, then, what would there be to fear?

The authors are respectively SSRC Fellow and Research Officer in Economics, University of Cambridge. Disappointing Marriage: A Study of the Gains from Merger, by Geoff Meeks, DAE Occasional Paper 51, published in July, 1977, by Cambridge University Press.

Technical News

TED BY ARTHUR BENNETT AND TED SCHOETERS

PROCESSING

Vithstands highly corrosive acids

KER OF products in fluorine, Engiplas, has built a large reactor for chemical testing, using Teddies (DuPont) for the whole of the distillation column.

It is expected to last at least three years on 24-hour per day operations, with a few months and that on one-shift working.

It had been proposed to get round the problem by providing the earlier vessel with a corrosion-resistant lining. But this was rejected almost at once because the mixture to be distilled sometimes contains solids which could abrade or puncture the lining. At the same time, the environment was so harsh that both the inside and the outside of the reactor were being attacked by the final solution had to be much more radical.

Engiplas (Engineering Plastics), Pardes Hanna Industrial Area, POB 125, Israel.

COMPONENTS

High flow filter

HEAVY DUTY filtration in the oil industry Serck developed the Hiperfilter. It has advantages are high pressure at low capital and running cost.

It is a pressure vessel with a particular filter through which water is allowed to flow. Flow rate is up to 100 gal/day at 90 psi. Unit sizes range up to 12 feet in diameter, and the units can be vertical or horizontal, single or in banks. More from Serck Water Protection on 0432 68901.

INSTRUMENTS

Safe level controller

CRITICALLY safe, an electronic level controller has remote indication and is suitable for liquids and granular materials.

Model 3310 employs large scale integrated circuits and its remote-actuated and relies on the principle that there is a rise in the capacitance value when a probe and a surrounding container whose level is being controlled with material. This is proportional to the dielectric constant of the material and the length of the probe.

The sensor produces an electrical signal proportional to the capacitance change, and the signal is received by a power relay unit which can be

RETAILING

Basic Four for big store

HARRODS of Knightsbridge, one of the world's famous stores, has installed a Basic/Four business system to handle stock control and management information applications.

Reports produced by the Basic/Four include sales, stock, gross margins and gross profits for each department. Currently the company is adding management accounting applications, including the production of balance sheets.

Previously it took six people two weeks to produce the weekly sales stock and gross profit report.

PERIPHERALS

Printer can edit

A 30 character per second matrix printer terminal with 8000 (or 4000) character memory recently announced by Extel offers data preparation and editing facilities comparable with those found in many crt-based visual display units.

B318-SWL is not much bigger than a typewriter and operates in an automatic send-receive (ASR) mode in two-way communications systems. Print head has a 7x5 dot matrix.

The memory allows the operator to prepare messages, make corrections as she goes along, and then send the data directly from the memory to the line. In this way errors in the transmitted text can be eliminated, material can be sent at the maximum line speed, and line charges reduced.

Correction routines are controlled by a built-in microprocessor and a small key-board to the left of the normal keyboard.

By counting back words by characters at a time through the memory, characters can be deleted, inserted or overwritten and text can be justified automatically. The machine will search for specific words in the text.

More from 73 Scrutton Street, London EC2A 4PB (01-739 2041).

PACKAGING

Protection from damp

CORRUGATED containers a company selling its products to French farmers. Initially those growing sugar beet and cereal crops.

Designed in suit 150 containers, the new cases comply with current international safety standards. Gross weight may be up to 1.25 tons, and the cases can be stacked eight high. Most standard forms of printing and labelling can be used. The containers can be re-used, and can be used to carry wet or oily substances.

The case maker is at Granta Terrace, Stapleford, Cambridge CB2 5DJ (02204 28271).

Fills small doses

FOR PHARMACEUTICAL and other applications where small accurate doses of powders and fine granules are required, Autopack has developed a machine capable of filling containers with materials in quantities down to a few milligrams.

The Minifil is electronically controlled and can operate at speeds up to 100 containers/minute. It has a drop-out filling head which can be easily detached for sterilisation.

One of the first installations is at the Timex factory in Washington, Co. Durham, where a Minifil is putting 200 milligrams of powder into watch batteries. It produces 45 filled batteries/minute.

More from the maker at Malvern, Worcs., on 06245 61651.

HORTICULTURE

Transplants

no problem

PATENTED, an idea which is likely to permit the wholesale nurserymen to operate all the year round, however hot and dry the weather, could make the planting of quite large trees and shrubs into a simple mechanical operation following which there would be a minimum of supervision—such as that involved where new plantations have to be irrigated.

It is also eminently suited to smaller stock.

The basis of the idea is the provision of a wire cage around which an impervious membrane is placed. The bottom of the cage is not covered and the roots of the plants can work down.

The cage or basket is made of a plastic-coated covered with 1000 gauge pvc, 25 cm. wide. It is 31 cm. square, tapering to 26 cm. square at the base and some 26 cm. in height. This is adequate for a ten to 12-foot tree which can be grown on until needed, lifted with a digger and taken to site without losing any of its important fibrous root system. At site the skin is removed and the tree, still in its basket, is placed in a prepared hole with minimum soil ball disturbance.

Several plantations made according to this method have come through the severe drought of 1976 without problems.

More from Tree Transactions, 87 Plantation Road, Leighton Buzzard, Beds. LU7 3TH. Durable 606538.

ELECTRONICS

Oven knows

when food is ready

HITACHI has introduced to the U.S. market a microwave oven that turns itself off without a timer or temperature probe when it "senses" that the food inside it has finished cooking.

The case maker is at Granta Terrace, Stapleford, Cambridge CB2 5DJ (02204 28271).

SAFETY

Protects the driver

A NEW American rapid transit system is to equip its railcars with missile-resistant windshields to protect drivers from impacts under test, the windshields are manufactured by Triplex Safety Glass of Birmingham.

Triplex will supply the new windshields to Societa Franco Beige in France, who are building the railcars for MARTA, the rapid transit authority of Atlanta, Georgia.

Missile-throwing plagues U.S. 021 498 2031.

METALWORKING

Computerised small lathe

TWO UNUSUAL aspects of a numerically controlled lathe from West Germany are the 60 deg. sloping bed for easy access, and swarf removal, usually found only on larger machines, and the integrated control panel mounted in front of the headstock, instead of the normal free-standing console.

Intended primarily for machining small batches of parts with complicated profiles up to 130mm diameter and 350mm long, the lathe is made by Weiler GmbH and is called the Primus CNC.

Driven by a 4.5 kW dc motor, the spindle has 18 programmable speeds in three ranges from 175 to 4,400 rpm. The eight-station hydraulically operated tool turret is mounted on a compound slide, driven in each axis by separate dc motors. Feed rates are from 0.01 to 49.5mm/rev.

More from the U.K. agent, Stanton Machine Tools, Caxton Way, Holford Industrial Estate, Walford, Herts, WD1 5UA (Walford 35333).

MACHINE TOOLS

Discussion

of spark machine

ELECTRODISCHARGE machining (EDM) of spark machine, finding wider acceptance as a production process as new types of machine and new techniques are introduced. In view of the rising importance of the subject a seminar has been arranged at the Machine Tool Industry Research Association, Maclesfield on March 15, 1978, to consider the capabilities of modern equipment, to discuss the use of EDM as a production process and to evaluate the economic aspects of its use.

Speakers from both users and manufacturers of these machines will be invited to discuss the most salient points involved—when to use EDM.

Designed for continuous finishing and drying of large quantities of components, this unit is the biggest model of its type supplied by Oso. It was custom-built to become totally cost ineffective on larger orders.

The company found a solution by installing a new 10 cu. ft. Thru-Feed fully automatic barrel machine supplied by Oso of Hemel Hempstead. This finishing machine has dramatically increased the processing rate in comparison with that obtained from the small tumble-barrel machines it replaces. The Oso machine handles 15 cwt of pressings in every cycle within a total processing cycle of 20-30 minutes, whereas the original tumblers were of only 2 cwt.

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BEARINGS
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SOFTWARE

Transport

aid extends

to Europe

SYNERGY Logistics of Hitchin, Herts, is being supported by the Software Products Scheme administered by the National Computing Centre for a venture of £100,000 in an extension of Synergy's Roadnet data-base system to cover Western Germany and Scandinavia.

Roadnet, introduced to the U.K. in 1971, is a method of building the map of a nation's complete road network within a computer, so that an itinerary for a route, from any point to any other point, can be produced in a fraction of a second.

The system incorporates motorways, end B class roads, congestion points, one-way streets, narrow bridges and all the other obstacles a motorist or a lorry driver actually meets when driving a particular route. A Roadnet route is, therefore, more than a simple itinerary as it assesses the time taken on each section of a journey as well as the total time for the complete route.

It is used in conjunction with Synergy's Transit, Locator, Site and Dayload systems to help public and private organisations plan and control the most effective methods for moving goods from factories to warehouses, from warehouses to shops and possibly from shops to individual customers. The system has been used by over 150 U.K. and Eire clients since their introduction and are acknowledged in have broken new ground in the application of computer techniques to the practical needs of business and their clients.

Synergy Logistics operates from Bancroft Court, Hitchin, Herts, 0462 54331.

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Missile-throwing plagues U.S. 021 498 2031.

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POLITICS TO-DAY

Trying to keep up with the Middle East

PRESIDENT ANWAR Sadat of Egypt is the "man of the year" for this newspaper as he is for Time Magazine, and no doubt would be for any other publication that had to make the choice. After Mr. Sadat's visit to Jerusalem last month, there was simply no alternative. The more interesting question, however, is who will be the man of the year 1978? To be precise, will he be Mr. Menachem Begin, the Prime Minister of Israel? For certainly the Middle East should remain at the forefront of diplomatic activity, and certainly the chance is there for the taking. But first a word about forecasts. Nothing in the Middle East this year has gone according to plan, and there is no reason to believe that anything will in 1978. Mr. Begin's election was not foreseen; nor was President Sadat's trip to Israel. It was widely predicted that Mr. Begin would face an early confrontation with President Carter. That did not happen. It was also generally assumed that Israel would only make concessions to the Arabs under extreme American pressure. That did not happen either. Instead Mr. Begin reacted directly to President Sadat.

All that ought to compel a note of caution about forecasts to-day. Indeed the safest instinct might be to disbelieve anyone who claims to know exactly what is in the mind of either Mr. Sadat or Mr. Begin. However hard the great powers try to follow, they find it impossible to keep up. It remains conceivable that Mr. Sadat will go for a bilateral settlement in the end, despite his present denials. It is also conceivable that Mr. Begin may be simply playing a tactical game, offering concessions that he believes the Arabs will turn down. No-one knows, for sure.

There are, however, certain developments which can be picked out and perhaps used as rough guides for the future. The first is that the Egyptian-Israeli negotiations are taking place at a time when the Arabs have virtually no immediate military option. That is not only because Syria is still tied down in the Lebanon, it is also because Egypt, having broken with Moscow, has problems about arms supplies and because Israel is at present in a position of great military strength.

If the negotiations break down, it is quite likely that war will ensue, but it is unlikely to do so very quickly unless the Arabs are willing to risk a crushing defeat. It is unlikely too, that the Israelis would be foolish enough to start a war themselves.

Major change

The second development—whether tactical or not—is that there has been a major change in Israeli diplomacy. During 30 years of periodic wars, Israel was somehow unable to convert its undoubted military strength into diplomatic initiative, and was perhaps even unwilling to try. All the emphasis was on preserving that strength and increasing security. Any concessions had to be wrung from Israeli Governments by outside pressure, and proved pretty minor at that. Israeli peace plans put security first, and diplomatic initiative or room for bargaining almost nowhere. To-day the emphasis on security is still there, but there is

a new flexibility. Mr. Begin has entered into a negotiating process from which it will be difficult to withdraw. Certainly it is hard to believe that the peace plan presented so far can be his last word. There no longer appears to be any rigid formula, even if there may, and must, be minimum conditions. The third development concerns the security issue itself. It has long been Israeli dogma that the country's security can be guaranteed by Israel alone. "To lose a single war," wrote Mr. Yigal Allon, the former Foreign Minister, "is to lose everything." Therefore, he went on, Israel is obliged "to maintain constantly that measure of strength enabling it to defend itself in every regional conflict and every regional combination of strength confronting it, without the help of any foreign army." The idea of external guarantees was out.

Again, it might be said that Mr. Begin has not changed very much—hence his insistence that the Israeli military presence on the West Bank and the Gaza Strip must be maintained. But the idea of outside guarantees is at least being mentioned, and could be worked on.

The fourth development is related to the security issue and concerns the international community. Once again the outside world has been surprised by events in the Middle East. That almost always happens. There were many who did not foresee the Six Day War of 1967, and many more who did not foresee the October War of 1973. And yet the stakes of the outside world in Middle East stability grow steadily higher. That is not only because of oil, it is also because

the Middle East is the most likely area in the world where a local war could erupt into a super power confrontation. Somehow a way will have to be found of preventing this happening. Perhaps external guarantees as a means of ensuring stability are the way in; certainly they are a subject which the great powers ought now to be studying.

One may put the question another way round. Mr. Begin says the West Bank is crucial to Israeli security, and that therefore the Israeli military presence must be preserved. Yet it is possible to accept the first part of that statement without accepting the second, which is in any case likely to remain totally unacceptable to the Arabs. In other words, Mr. Begin is probably right about the importance of the West Bank for Israel, but could Israeli security against guerrilla and conventional attacks from the West Bank be provided by other than purely Israeli means?

It is here that there might be room for negotiation, and where the outside powers might come in. The need to satisfy Israeli security requirements while giving the Palestinians on the West Bank more than has yet been offered in the way of autonomy. Since it is more than likely that the Arabs will never agree to an indefinite Israeli military presence, and that their opposition would continue even if President Sadat were further to break ranks and go for a bilateral settlement, finding some alternative means of providing Israeli security is perhaps the only way of breaking the deadlock.

There is already a growing literature on this subject, some of it not yet published, and, of course, the discussion goes well beyond the West Bank to include all the occupied territories. The West Bank has been singled out here because it is the most difficult in that it is likely to be the heart of the Palestinian homeland, is densely populated and, therefore, hard to police. Indeed without a West Bank settlement it is probably unrealistic to talk of any lasting settlement in the Middle East.

Precedent

That does not mean, however, that there is nothing to be learned from arrangements elsewhere, or that there are no precedents on which to build. There is, in fact, a very significant precedent in the second Sinai agreement of 1975. It is true that it involves an area of very small population where any movement is relatively easy to monitor, and that, even then, the Israelis only accepted it under great American pressure and in return for further American arms supplies. But it also involves certain novel features: the use of American technology for the monitoring; the provision of one surveillance station for the Egyptians and one for the Israelis—so that there is national participation and no discrimination between the two countries; and the presence on the ground of American civilian personnel—almost, as it were, as a hostage.

Now, the term "security guarantees" covers a wide field and they do not have to be the same for all areas. But if it is possible to establish an ad hoc

hnt viable arrangement for part of the Sinai, it ought to be possible to devise something with comparable effect for the West Bank. At the very least, it is a subject now deserving serious attention.

There are a number of possibilities, not all of them mutually exclusive. There could be a degree of demilitarisation supervised by a mixture of Israeli and Jordanian forces with the Israeli contribution—subject to periodic reviews—gradually being phased out, or at least reduced. Alternatively, there could be an international force composed either of the great powers—in order to ensure their direct involvement in peacekeeping, or a selection of smaller powers, or a mixture of the two. The force could be set up under U.N. auspices or under some new body created specially for the purpose—the equivalent of a West Bank or Middle East Control Commission. It would be a matter for discussion whether the same organisation might apply to (say) the Golan Heights.

A decision also needs to be taken on whether to bring in the Russians. Since any comprehensive agreement would have to include limitations on armaments and the Russians are major suppliers, the answer would seem to be "yes"—provided they were willing. The main point, however, is that these are the sort of questions which the outside powers ought to be considering while Egypt and Israel go on negotiating. Those negotiations, if they break down, are likely to do so



Israel's Prime Minister, Mr. Menachem Begin, and his deputy, Mr. Yadin—will 1978 bring peace to their country?

on the twin issues of the powers need to be ready, and Palestinians and Israeli security, the assurances will need to be that Mr. Begin can be persuaded to offer more on the Palestinians is by receiving outside assurances on security. The outside

Letters to the Editor

Barristers' principles

From Lord Sharnbrook

Sir,—On returning from abroad, I see that in your issue of December 22 under the quite inaccurate heading "Shawcross attacked by Law Society," you give publicity to the comments of an anonymous leader writer in the Law Guardian Gazette criticising a speech I recently made in the Central Criminal Court Journalists Association. That writer, a shade pompously, suggested that my speech was insulting; as to that I can only observe that neither the two experienced judges who were present nor the very experienced journalists seen by the reception they were good enough to give it to have been offended by what I said; indeed, one of the judges present publicly stated that he "agreed with every word."

It is true that in exercising the right of peremptory challenge as in everything else he does, a barrister acts in right (and in the supposed interest) of his client. It was this which led Disraeli to make his famous but unjust comment "... he belongs to an honourable profession, the first principle of whose practice appears to be that they may say anything provided they are paid for it..." the practice of circulating falsehoods with impunity is delicately described as "doing your duty towards your client which is a very different process from doing your duty towards your neighbour." But Disraeli was wrong. Equally famous but more accurate is the statement by Lord Chief Justice Cockburn that "It is the (advocate's) duty to the utmost of his power to seek to reconcile the interests of his client and the duty it is incumbent upon him to discharge with the eternal and immutable interest of truth and justice." And the vast majority of barristers know how to do this and advise their clients accordingly.

In the conduct of cases a barrister is not to identify himself with his client; he is not to allow himself to be made the vehicle of reckless allegations or to make charges simply for the purpose of discrediting the police or other parties unless he is satisfied that this is an essential part of his client's case and never unless specifically instructed so to do. It is no function of the barrister to invent a defence. As for the right of peremptory challenge to jurors, I would observe that the English jury system has been based on the principle of random selection of, as it was put, "the 12 men on the Clapham omnibus." The right of "packing" of juries, as the right of peremptory challenge makes possible when several defendants are jointly charged, on grounds of race, religion or social appearance, as an abuse, Parliament has already had to restrict the right of peremptory challenge. If abuse continues, Parliament will again have to intervene.

During the comparatively long time I was leader of the Bar, there were the principles which were generally observed and indeed my recent speech was a succinct summary of my Cardozo award which was published with approval by the New York Bar Association. I booklet form although it did no more than restate long accepted ethical rules. It is true that this was a long time ago but I do not believe that in this field ethical standards have deteriorated since then and it is important that the public should realise that they have not and that barristers still agree with Lord Macaulay that it is not right that a man with a wig on his head and a band

round his neck should do for a guinea what without those appendages he would think it wicked and infamous to do for an empire."

I have suggested to the Law Guardian Gazette that they might usefully occupy themselves with examining the criticisms made to the recent Bow Group memorandum on certain criminal chambers in which possibly the general principles I have indicated are not observed—and in considering how far, if at all, solicitors may be involved.

Shawcross.

House of Lords.

Import of textiles

From Mr. A. Cansworth.

Sir,—I was interested to read (December 21) of the article by Mr. David Warburton, national chemicals officer of the General and Municipal Workers' Union. He states that "The arrogant statements implying that companies know best cannot be accepted under any circumstances."

Now the unions have large reserves and invest these. We have read of the purchases of works of art and investment trusts by the unions in the last few months. It is presumed that, quite rightly, the unions earned have made such purchases to protect their finances, but does this help the number of people in employment in the U.K.?

Why should industrial companies risk their money in gambles on new plant which could be non-profitable? If the unions feel so strongly on this, should they not put some of their surplus money in such ventures as a joint enterprise with some of the large groups? Direct participation by the unions financially with industry could assist greater stability.

On Page 1 of the same issue a list of expected textile imports into the U.K. for 1978 is given. On Page 23 details of the losses in man-made fibres are given. On Page 11 details of the expected losses of ICI fibres to the current year are given. We could all help by buying British. This would keep the number of unemployed down.

Let us look at these expected imports for 1978, omitting cotton yarn and synthetic cloth.

25m. trousers at say, e	8=174
retail price of	4=103
25m. shirts at	4=168
retail price of	
53,000 tonnes of T-shirts, which is about 530m.	
T-shirts, at say, e	1=530
retail price of	
	£380

We who are about to be unemployed will purchase these items in 1978. The same edition of the FT suggests a price for the proposed ethylene plant of £250m. That is the retail price of these imported clothes and is equivalent to four ethylene plants.

A. K. Unsworth.

1, Court House, Kent.

Amdahl and Fujitsu

From the Managing Director, Amdahl (U.K.).

Sir,—I would appreciate the opportunity to correct a significant mis-statement of fact concerning Amdahl Corporation contained in Mr. Douglas Ramsay's article (December 21) on Japanese investment. The article stated that Fujitsu of Japan had entered a joint ven-

ture with Amdahl Corporation of the U.S. and would build computers in Ireland for the European market. This is not so.

The facts are that Amdahl Ireland will manufacture solely Amdahl computers. Amdahl Ireland is a wholly-owned subsidiary of Amdahl International Corporation. Amdahl International Corporation in turn is a wholly-owned subsidiary of Amdahl Corporation. No Amdahl company markets Fujitsu products, nor is there any plan for Amdahl to produce Fujitsu computers in Ireland. Fujitsu owns approximately 27 per cent of Amdahl Corporation only and is not involved in the operations, marketing or service functions of Amdahl or any of its subsidiaries.

Finally, Amdahl International Corporation, through its wholly-owned subsidiaries, has sold systems in Germany, Switzerland, Norway, Denmark and the U.K., the most recent installation being a 470 V/S installed in EEC under the heading, "Amdahl Up In Under a Day."

I trust this letter will clarify the facts regarding Amdahl and its activities in Europe.

Peter V. Williams, Viking House, 29-31, Lampton Road, Hounslow, Middlesex.

Controlling heat

From Mr. D. Thornton.

Sir,—In all the discussions on energy conservation stimulated by the British Government's welcome £32m. four-year package, one important point seems to have been missed. Adding insulation to existing houses will normally make existing boiler and heating systems oversized in that heat requirement has been reduced by virtue of lower heat losses. It follows that, unless something is done to control the heat output from those boilers and heating systems, the result of insulation will simply be overheating. Put another way, that means that expected energy savings from insulation could be largely negated.

One of the significant costs of any work on site is the cost of getting people to the site and away. While incurring these costs, would it not make sense to have the men do more than one small job and to fit a good control system that would render the insulation work cost effective?

D. S. Thornton (Sales Director, Residential Division), Control Systems Group, Honeypell, Charles Square, Brockwell, Berkshire.

Insulation is built-in

From the Director, British Woodworking Federation.

Sir,—Recent proposals by Mr. Wedgwood Benn to stimulate energy conservation measures have obviously received widespread support and this Federation also sees in these proposals the first step in the process of recognising that energy conservation must now become a primary consideration in relation to housing policy.

It is clear that housing now being constructed or projected will be the basis of the stock which this country will be using in the twenty-first century. These houses will be occupied in conditions of possible fuel shortage after the bulk of North Sea oil

has been consumed. It is therefore absolutely crucial that all possible ways of improving energy conservation are now vigorously explored.

In this regard I have to say that I cannot agree with the implications in the final paragraph of the letter from the director general of the Brick Development Association of December 20. There are a number of methods of building available today and the timber frame offers a convenient way in which houses can be cheaply and effectively constructed with insulation present from the start. With timber frame designs it is not necessary to couple them with available insulation methods; insulation is already built in.

Unfortunately there remain a number of local authorities and people in influential positions who still specify traditional housing only without giving timber frame housing a chance to prove its worth as an alternative. In view of the impending energy crisis this must be wrong. I would therefore urge that all steps are now taken by the Government to encourage all methods of building that will help to improve energy conservation for the future.

D. G. Worby, 22, New Cavendish Street, W.1.

Great balls of fire

From Mr. S. Guebenlian.

Sir,—I wish to contest the "incombustibility" of the Financial Times (ref. your Editorial of December 24); I wonder if the relative survey included your paper's possible use to start fires of residential buildings. The Financial Times is a small, light, inflammable, low-glow, charcoal variety you buy at Harrods. The succulence of the skewered kebabs, chops and chicken cooked on such charcoal fires started by setting a match to the quarter-sheet of the Financial Times squeezed into small halls proves the super-combustibility of your paper. It could be the editorial content, of course.

In my experience, fires of charcoal from Cyprus start far easier and to gastroscopic advantage by using "Fintimes" balls rather than any other British national.

Shane Guebenlian, 32, Brunswick Gardens, Kensington, W.8.

Sri Lanka and the IMF

From the High Commissioner Sri Lanka (Ceylon).

Sir,—Your issue of December 2 carried an unfortunate news story under the caption "Sri Lanka in IMF loan row" stating that sharp disagreement has arisen between Sri Lanka and the IMF over the new Government's policies. There is, in fact, no truth in this statement. On the very day this news item appeared in your columns the IMF approved a standby arrangement in a sum of SDR62m. It should be known to you that the Sri Lanka Government recently established a floating rate for its currency as well as dismantled most of the exchange and import controls and administered prices. It also announced that after January 1978 subsidies will be given only to about half the population, that is for about 7m. people.

The fact that the IMF Board has already approved a standby arrangement equalling SDR62m. means that the Government itself has not rejected the IMF programme.

N. Wimalasena, 12, Hyde Park Gardens, W.1.

To-day's Events

GENERAL
President Carter continues state tour.
National Association of Schoolmasters/Union of Women Teachers two-day conference ends, Birmingham.
Camping, Outdoor Holiday and Motor Caravan Show opens, Olympia (until January 9).
COMPANY MEETINGS
Mid-Kent Water, Snodland, Kent, 12. Single, Isleworth, Middlesex, 11. Vickers in Costa Rica House, King William Street, E.C.4.

OPERA
English National Opera production of From the House of the Dead, Coliseum Theatre, W.C.2, 7.30 p.m.
D'Oyly Carte Company in Princess Ida, Sadler's Wells Theatre, E.C.1, 7.30 p.m.

BALLET
Royal Ballet dance Swan Lake, Covent Garden, W.C.2, 7.30 p.m.
London Festival Ballet perform The Nutcracker, Royal Festival Hall, S.E.1, 7.30 p.m.

'Appalling variations' in tougher MoT test

PROBLEMS OF Interpretation chairman, where blamed yesterday for "appalling variations" in the results of a survey carried out by standard of MoT vehicle testing the Automobile Association's for cars more than three years old. Many aspects of the tougher, more uniform annual Ministry test introduced 12 months ago still rely on an examiner's own judgement," said Mr. Arthur Johnson, the Motor Agg's MoT test still rely on an examiner's own judgement.

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00186 Rome, Italy

Pierson, Helling & Pierson
206-214 Herengracht
Amsterdam, Netherlands

Kredietbank N.V.
Arenbergstraat No. 7 B-1000
Brussels, Belgium

The Canada Trust Company
901 West Pender Street
Vancouver, BC, Canada

Swiss Bank Corporation
Aeschenvorstadt 1,
4002, Basle

Banque Generale du Luxembourg S.A.
14 Rue Aldringen
City of Luxembourg, Luxembourg

Canadian Imperial Bank of Commerce
Box 408, 2 Lombard Street
London EC3P 3EU, England

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4, Rue Dantun
75002 Paris, France

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231 2551 7772 10464 13080 15660 18333 21762 24724 28068 31152 34387 38354 41707 45853 49787
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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Stewarts & Lloyds drop inflation accounting

BY RICHARD ROLFE
JOHANNESBURG, Dec. 29.
Stewarts & Lloyds, a pioneer of inflation accounting in South Africa, has decided to discontinue this practice with effect from the current financial year ending next September.
The Board explains this decision in the annual report just published for last year, with the comment that "despite lengthy public debate as to alternative methods of inflation suitable adjustments for inflation, no generally accepted method seems to have emerged." The change seems certain to set back what had been a major line of progress in the inflation accounting in South Africa.
Stewarts & Lloyds' adjustment has been made for some years by use of a current price index to quantify the adjustments to profits that are made necessary by stock inflation and by the effects of inflation on depreciation, borrowings and monetary assets. But another method, the decision to discontinue could simply be the demoralising nature of the adjusted figures.
Stewarts & Lloyds made conventional earnings per share of 35 cents last year, but the adjusted figure, which is based on an unchanged dividend of 17 cents was paid. Though the group's inflation adjusted earnings have always been below the conventional figure, this is the first time they have left the dividend uncovered.
The detailed workings of the adjustment in the annual report show "historical income before taxation" of R18.8m. from which has to be deducted an amount of R6.3m., which is described as the net adjustments.

Shipping struggle coming to an end

By Robert Maunthor
PARIS, Dec. 29.
THE LONG-DRAWN-OUT battle between the two shipping groups, Compagnie de Navigation Mixte and Delmas-Vieljeux has now been virtually settled.
After the agreement just before Christmas under which La Mixte gave up its West African shipping routes and bought back from Delmas-Vieljeux all the shares which the latter held in La Mixte, a solution has now been found for the Lesieur edible oils and fats group, in which La Mixte once held a 42 per cent stake.
The Compagnie Financière Lesieur will take complete control of its subsidiary, Lesieur-Cole, in which it previously held 67 per cent, by purchasing La Mixte's 22 per cent stake and Unipol's 11 per cent. CFL will thus be able to develop and diversify the activities of its subsidiary which cover food, detergent and housing cleaning materials sectors.
In return, CFL will cede to Unipol its 62 per cent holding in Sociolud which manufactures and distributes various household goods, thus overhauling the position in the vegetable fats sector.
As a result of these operations, the Lesieur family, with 20 per cent, and its long-standing ally, Banex, the oil and chemical group of the Nationalized Bank of Paris, with 32 per cent, will have a majority stake in CFL and free themselves of La Mixte's powerful influence.
Le Banque de la Société Financière Européenne, a joint subsidiary of ENI and Dresdner bank, Banco del Lavoro and Barclays Bank, will acquire 16 per cent of CFL's capital, the Vieille insurance companies, part of the Suez group, 7 per cent, and Unipol 3 per cent.
Some 3 to 6 per cent of the shares will remain in the hands of the public, while the remaining 16 per cent are currently the subject of negotiations between various financial companies.
La Mixte has thus lost out in the battle which has been raging for at least four years and which culminated in a disputed and controversial takeover bid by Delmas-Vieljeux for its rival earlier this year, after the latter had introduced new vessels on the highly competitive West African route.
It has given up its longstanding ambitions of gaining a foothold in the edible oils and fats sector through its attempts to win a bid for Lesieur and it has also been forced to put a damper on its maritime transport expansion plans.

THE CHANGEOVER AT ITT End of the Geneen era

BY JOHN WYLES IN NEW YORK



SUCH HAS been his dominance of the company, so widespread is his fame, and in some places notoriety, that there is a temptation to view the retirement at the week-end of Harold S. Geneen in the same end-of-an-era terms as a change of monarch is traditionally recorded in Britain. Indeed, Geneen's 18 years at International Telephone and Telegraph have often been likened to the rule of a benevolent but essentially despotic monarch who stretches his resources to the utmost in a restless and single-minded endeavour to augment national wealth, power and influence.
Not that Geneen at the age of 67 is yet ready to part company with an organisation which has become a textbook model of all that is seen as good and bad about the multinational conglomerate.
He will stay on indefinitely as chairman while relinquishing chief executive responsibilities to the 50-year-old Lyman C. Hamilton Jr., a former vice-president and chief operating officer last February on the assurance that he will become chief executive. Only time will tell how much the formidable Geneen has moved into the background and how successfully the "Geneen machine" can continue to operate without the day to day guiding hand of its creator.
Doubts have often been expressed about the future of the ITT empire without Geneen. The company does business in half the countries of the world, is structured around 250 divisions and more than 1,000 subsidiaries. When he took over at the end of 49, three years after the retirement of its founder, Sosthenes Behn, Geneen found himself in a loosely controlled international company, whose main business was communication with a turnover of \$80 million and 80 per cent of its income coming from abroad. An accountant to his

Allende regime in Chile and offered money to the Republican Party in pursuit of a favourable settlement of an anti-trust suit. These and other allegations have barely dented the corporate self-confidence, or, worse, depending on your point of view, which Geneen's ITT is famous. In a talk to security analysts in May this year, Geneen seemed to wish to be remembered only for the company's phenomenal growth since his inauguration when its income was \$23m. With all the meticulousness of a master builder, acquisition after acquisition has been absorbed into the ITT system. At last year's sales were \$11.5bn. and earnings \$485m. There have been some setbacks. Federal Agency opposition in the mid-1960s put the American Broadcasting Company out of the ITT reach, and anti-trust actions forced the divestment of Avis and one of its other companies. But until 1973, ITT achieved 58 consecutive quarters of improved earnings under Geneen and an earnings growth that, as he pointed out in May, was bettered only by IBM, Eastman Kodak, and Mobil Oil.
This is quite an achievement for a man born in Bourneville whose father was a concert manager and mother a singer, and who professes still to be an anglophile. In some opinion, Mr. Hamilton's achievement will be to hold the ITT patchwork together without the iron control of Geneen. Anthony Sampson predicts in his book, The Disparate Empire, that the ITT empire will begin to assert itself as post Geneen and that the company's lack of an innovative tradition of entrepreneurs and of logical connections, will emerge. Not, one suspects, for long as Geneen remains a presence at ITT's Park Avenue headquarters.

Dutch mortgage growth ends

BY MICHAEL VAN OS
AMSTERDAM, Dec. 29.
THE STRONG growth of newly-registered mortgages for real estate has come to an end in Holland, according to calculations by the Central Bureau of Statistics (CBS). This development is "very probably the result of the credit restrictions imposed by the Central Bank for 1977.
According to the figures published in The Hague it appears that while during the first and second quarter of this year percentage increases were recorded of 42 per cent and 46 per cent respectively compared with corresponding periods in the previous years, third quarter in fact showed a decrease of 2 per cent. This period an amount of \$13.7bn. worth of mortgages was registered with the CBS, compared with \$13.4bn. in the third quarter of 1976. Of the total amount, at least 65 per cent, related to houses and combinations of houses and commercial premises.
For these mortgages there was a slight increase of 7 per cent compared with the third quarter of 1976, but this was negligible compared with the increase of the first half of this year (plus 55 per cent).
During the first nine months of this year in all 239,000 new mortgages for real estate were issued, which is worth \$19.1bn. This still represents an increase of 24 per cent in spite of the decrease of the third quarter. Of these mortgages \$13.5bn. were registered as first mortgages and \$5.6bn. as second mortgages.

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EUROBONDS Mark sector ends buoyantly

BY FRANCIS GHILES
THIS CHRISTMAS RECESS has seen a downturn in activity in the London bond market, but the Bank to the market later next month, especially in the Deutschmark sector.
The substantial issuing volume planned for January, DM1.7bn. against DM1.1bn. this month, reflects the continued run into DM denominated bonds stemming from weakness of the dollar.
January is however traditionally a month of heavy issuing activity, and at present investors are putting back most of the money they are getting from the payment of principal and interest on outstanding bonds back into the market.
Turnover has been lively throughout the week with most bonds gaining up to a point. Brazilian and Mexican issues have also done well as have South African issues, a clear indication of the buoyancy of the market.
The upward pressure on the DM is also causing early calls to be made on outstanding bonds. Courtauld International Finance NV, plans to call the DM150m. 8 per cent bond issued in 1969 and due in 1984 next April.
So far this year about DM1bn. worth of bonds have been redeemed on a date of time, a small figure in a market whose issuing activity has been running at around DM1bn. a month and whose overall size is about DM500bn.
Of the new issues announced this week full details are only available where the DM200m. for the Kingdom of Norway, to be managed by Deutsche Bank is concerned. This is a five-year bullet with an indicated coupon of 5 per cent. Issue price will be 100 or above par and no one would be surprised if the coupon was cut to 4 1/2 per cent.

Ciba-Geigy \$30m. for Alza stake

By John Wicks
ZURICH, Dec. 29.
A TOTAL OF 50 per cent of the voting shares of Alza Corporation, Palo Alto, is to be acquired by the Swiss-owned Ciba-Geigy Corporation. The two companies have agreed to the sale of Ciba-Geigy Corporation of \$30m. worth of priority shares, which on payment of an additional sum would be convertible into \$7m. Ordinary shares of a new type and equal to 52.7 per cent of overall Ordinary share capital.
In September of this year parent company Ciba-Geigy AG of Basle, had announced plans for close co-operation and the acquisition of voting control over Alza, a California pharmaceuticals undertaking specialising in therapeutic systems for controlled continuous medication. It was stated that this would be achieved by the takeover of stock at a price not exceeding \$45m. over a five-year period.

Indian policy on investment

BY K. K. SHARMA
NEW DELHI, Dec. 29.
THE NEW INDUSTRIAL policy announced by the Jaofa Government has left materially unchanged the terms and conditions of foreign investment in India. The new Government has pressed itself as being not averse to the entry of even multinational corporations and will allow major foreign companies to invest in ventures that are 0 per cent export oriented.
Mr. George Fernandes, Union Minister, who announced the new industrial policy, said that so far as the foreign companies are concerned, the Foreign Exchange Regulation Act (FERA) will be strictly enforced. After the relaxation of capital to 40 per cent, as prescribed, they will be treated on a par with Indian companies.
All approved foreign investments, there will be complete freedom for remittance of profits, royalties, dividends and repatriation of capital subject to the usual regulations common to all. While majority interest and control shall remain in Indian hands, the Government may make exceptions in highly export-oriented or sophisticated technology areas. A fully-owned foreign company may also be allowed in 100 per cent export-oriented cases.
A new approach to foreign collaboration is being evolved. Mr. Fernandes said. Hitherto the Government has rested its policy on three lists—first, where foreign collaboration is banned; second, where technical collaboration is permitted; and third, where foreign equity investment is permitted. The lists contain descriptions of items for which collaboration is detailed. For all other items collaboration will be permitted, and the Government will decide on a case-by-case basis whether this should take the form of outright technology purchase, a licence agreement or royalty licence, or direct equity participation.
In the field of internal investments, the main thrust of the new policy will be on promotion of cottage and small scale industries in widely dispersed rural areas and small towns. "It is the policy of the Government," Mr. Fernandes said, "that whatever can be produced by small and cottage industries must be only so produced."
For this purpose, an exhaustive analysis of industrial products has been made.

BP France sees Frs.100m. loss

PARIS, Dec. 29.
LOSSES of well over Frs.100m. may be incurred by BP (BP) France due to the closure of the refinery at Fos, compared to a virtual breakeven in 1976.
The company announced today that its losses in the second half of this year may well exceed the Frs.55m. deficit incurred during the opening six months of 1977.
In a letter to shareholders, chairman Jean Guenoulet noted that he is a bit of a pessimist for this year was bought either after the 5 per cent OPEC increase in July or, if bought before that date, was paid for with an exchange rate higher than that prevailing currently. He added that between 1973 and 1977, the cost of oil had doubled and that financial costs had tripled.
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Deutsche Babcock rally

BY ADRIAN DICKS
BONN, Dec. 29.
DEUTSCHE BABCOCK, the public works, such as rubbish disposal, for which the group heavy engineering and general engineering manufacturers expects to win its share of a partial recovery in export demand, and succeeded in opening the 1977-78 business year with an increased order book, and no evidence of a change in the West German investment climate. A further increase in the first three months of the year, there are signs of a recovery in domestic demand for electricity supply installations and in other areas of the public works, such as rubbish disposal, for which the group heavy engineering and general engineering manufacturers expects to win its share of a partial recovery in export demand, and succeeded in opening the 1977-78 business year with an increased order book, and no evidence of a change in the West German investment climate. 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AUTHORISED UNIT TRUSTS

[illegible]

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel. 01-283 1101
Index Guide as at 6th December, 1977 (Base 100 at 14.1.77.)

Clive Fixed Interest Capital	135.19
Clive Fixed Interest Income	128.03

INSURANCE BASE RATES

† Property Growth	84%
.. Cannon Assurance	42%
* Address shown under Insurance and Property Bond Table.	

BASE LENDING RATES

A.B.N. Brink	7 1/2%	■ Hill Samuel	8 7/8%
Alied Irish Banks Ltd.	7 1/2%	C. Hoare & Co.	7 7/8%
Americoan Express Bk.	7 1/2%	Julian S. Hodges	8 1/2%
Amro Bank	7 1/2%	Hongkong & Shanghai	7 1/2%
Bank Ltd.	7 1/2%	Industrial Bk. of Scot.	9 1/2%
Barclays Bank	7 1/2%	Imperial Bank	7 1/2%
Bank of Canada	7 1/2%	Kennerley & Co. Ltd.	9 1/2%
Bank of Ceylon	7 1/2%	Lloyds Bank	7 1/2%
Bank of Credit & Com.	7 1/2%	London & European	8 1/2%
Bank of Cyprus	7 1/2%	London Mercantile	7 1/2%
Bank of N.S.W.	7 1/2%	Midland Bank	6 3/4%
Banque Belge Ltd.	7 1/2%	■ Samuel Montagu	6 1/2%
Banque du Rhone	8 1/2%	Morgan Greofell	7 1/2%
Barclays Bank	7 1/2%	National Westminster	7 1/2%
Barratt Christie Ltd.	8 1/2%	Norwich & London	7 1/2%
Bremer Bank Ltd.	8 1/2%	P. S. Refson	7 1/2%
Brit. Bank of Mid. East	7 1/2%	Rossmore Invest. Accep'ts	7 1/2%
Brown Ship	7 1/2%	Royal Bk. Canada Trust	7 1/2%
Canada Permanent Aft.	7 1/2%	Schlesinger Limited	7 1/2%
Capital C. & Fm. Ltd.	9 1/2%	E. S. Schwab	9 1/2%
Cayzer Ltd.	7 1/2%	Security Trust Co. Ltd.	8 1/2%
Cedar Holdings	7 1/2%	Shenley Trust	9 1/2%
Charterhouse Japhet	7 1/2%	Standard Chartered	7 1/2%
C. H. Carter & Co.	8 1/2%	Trust Dev. Bank	7 1/2%
Consolidated Bank	7 1/2%	Trustee Savings Bank	7 1/2%
Co-operative Bank	7 1/2%	Twentieth Century Bk.	8 1/2%
Corinthian Securities	7 1/2%	United Bank of Kuwait	7 1/2%
Credit Lyonnais	7 1/2%	Whiteaway Laidlaw	7 1/2%
Dunlop, Lawrence	7 1/2%	Williams & Glyn's	7 1/2%
Eagle Trust	7 1/2%	Yorkshire Bank	7 1/2%
Easton Transport	7 1/2%	■ Members of the Ac. Repting House	
First Ind. Sec. Corp.	7 1/2%	1-243 deposits 41-1 month deposits	41-1%
Fin. Nat. Fin. Corp.	7 1/2%	and over 41-100 100 000 41-1%	
Fin. Nat. Secs. Ltd.	8 1/2%	and over 12,500 50 41-1%	
■ Anthony Gibbs	7 1/2%	1-243 deposits 41-1 month deposits	41-1%
Globe Durrant Trust	7 1/2%	and over 41-100 100 000 41-1%	
Groundwork Guaranty	7 1/2%	and over 12,500 50 41-1%	
Grindlays Bank	7 1/2%	1-243 deposits 41-1 month deposits	41-1%
■ Gutierrez & Maher	7 1/2%	Demand deposits 41-1%	
■ Hambro Bank	7 1/2%	Rate also applies to Sterling lod.	

FOOD PRICE MOVEMENTS

	Dec. 29	Week ago	Month ago
BACON			
Danish 1 1/2 per ton	1.010	1.010	1.010
Swedish 1 1/2 per ton	1.020	1.030	1.010
High Special per ton	1.000	1.000	1.000
Water 1 1/2 per ton	1.000	1.000	1.000
BUTTER			
1/2 per 20 lbs	—	10.04-11.05	10.04-11.12
English per cwt	—	62.65	63.03
Danish salted per cwt	—	69.13-71.60	69.13-71.43
CHEESE			
1/2 per ton	—	1.161.50	1.161.50
English cheddar trad.	—	—	—
per tonne	—	1.210.42	1.219.42
EGGS			
Home-produce:			
Size 4	—	4.40-4.80	3.90-4.10
Size 3	—	3.90-5.10	3.50-4.60
Size 2	—	—	—
	Dec. 29	Week ago	Month ago
per pound	per pound	per pound	per pound
EGG	P P P	P P P	P P P
Scotch killed sides (ex-	—	—	—
clusive KRCF)	46.0-49.0	—	44.0-48.0
Fine forequarters	30.0-33.0	—	29.0-32.0
LAIR			
English	46.0-53.0	—	46.0-49.0
NK PLs-PALs	47.0-48.0	—	47.0-48.0
MUTTON			
English ewes	—	—	—
ORK 1 1/2 (white)	33.0-42.0	—	34.0-42.0
POLTRY			
Broiler chickens	30.0-34.5	30.0-34.0	29.5-31.0
London Egg Exchange price per 120 eggs. † Delivered.			
For delivery December 31-January 7.			

OFFSHORE AND OVERSEAS FUNDS

Artisan Securities (C.I.) Limited P.O. Box 204, St. Helier, Jersey. 0594 72377 Nearest dealing date Jan. 15, 1992 East-Asian Fund 1981-1991 5.28 Neat share Jan. 15, 1992	Fidelity Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992 Fidelity Ind. Fund 1981-1991 5.28 Fidelity World Fund 1981-1991 5.28 Fidelity Growth Fund 1981-1991 5.28 Fidelity Bond Fund 1981-1991 5.28 Fidelity Div. Fund 1981-1991 5.28 Fidelity Int'l. Fund 1981-1991 5.28 Fidelity Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992	Kemp-Coe Management Jersey Ltd. 1, Charing Cross, St. Helier, Jersey. 0594 72741 Nearest dealing date Jan. 15, 1992 Kemp-Coe Income 1981-1991 5.28 Kemp-Coe Growth 1981-1991 5.28 Kemp-Coe Div. 1981-1991 5.28 Kemp-Coe Int'l. 1981-1991 5.28 Kemp-Coe Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992	Save & Prosper International Dealing in P.O. Box 204, St. Helier, Jersey. 0594 72377 Nearest dealing date Jan. 15, 1992 Save & Prosper Income 1981-1991 5.28 Save & Prosper Growth 1981-1991 5.28 Save & Prosper Div. 1981-1991 5.28 Save & Prosper Int'l. 1981-1991 5.28 Save & Prosper Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992
Australian Selection Fund NV Market Opportunities, c/o Irish Young & Co. Ltd., 100, Queen's Road, Hong Kong. Nearest dealing date Jan. 15, 1992 A.S.F. 1981-1991 5.28 Neat share Jan. 15, 1992	First Viding Community Trusts P.O. Box 100, St. Helier, Jersey. 0594 72741 Nearest dealing date Jan. 15, 1992 First Viding Income 1981-1991 5.28 First Viding Growth 1981-1991 5.28 First Viding Div. 1981-1991 5.28 First Viding Int'l. 1981-1991 5.28 First Viding Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992	King & Sharron Jersey Ltd. 1, Charing Cross, St. Helier, Jersey. 0594 72741 Nearest dealing date Jan. 15, 1992 King & Sharron Income 1981-1991 5.28 King & Sharron Growth 1981-1991 5.28 King & Sharron Div. 1981-1991 5.28 King & Sharron Int'l. 1981-1991 5.28 King & Sharron Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992	Schlesinger International Mgmt. Ltd. 1, La Motta St., St. Helier, Jersey. 0594 72377 Nearest dealing date Jan. 15, 1992 Schlesinger Income 1981-1991 5.28 Schlesinger Growth 1981-1991 5.28 Schlesinger Div. 1981-1991 5.28 Schlesinger Int'l. 1981-1991 5.28 Schlesinger Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992
Brunelle-Brunelle Limited 2, Rue de la République 2000 Brunelle B.S. of London - [1992] 2002] 4.25 Neat share Jan. 15, 1992	Free World Fund Ltd. Netherfield Hill, Hamilton, Bermuda. NAV Nov. 30 - \$US140.55 Nearest dealing date Jan. 15, 1992	Kleinwort Benson Limited 1, Charing Cross, St. Helier, Jersey. 0594 72741 Nearest dealing date Jan. 15, 1992 Kleinwort Income 1981-1991 5.28 Kleinwort Growth 1981-1991 5.28 Kleinwort Div. 1981-1991 5.28 Kleinwort Int'l. 1981-1991 5.28 Kleinwort Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992	Schroder Life Group 1, Charing Cross, St. Helier, Jersey. 0594 72741 Nearest dealing date Jan. 15, 1992 Schroder Income 1981-1991 5.28 Schroder Growth 1981-1991 5.28 Schroder Div. 1981-1991 5.28 Schroder Int'l. 1981-1991 5.28 Schroder Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992
C. of London & S. America Ltd. 40-48, Queen Victoria St., B.C.A. 01-901 2333 Alexander Trust Ltd. 1981-1991 5.28 Neat share Jan. 15, 1992	G.T. Management Ltd. Ltd. Agents Park House, 10, Place Vendôme, London E.C.C. Nearest dealing date Jan. 15, 1992	Shelton International Mgmt. Ltd. 1, La Motta St., St. Helier, Jersey. 0594 72377 Nearest dealing date Jan. 15, 1992 Shelton Income 1981-1991 5.28 Shelton Growth 1981-1991 5.28 Shelton Div. 1981-1991 5.28 Shelton Int'l. 1981-1991 5.28 Shelton Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992	Shroder Life Group 1, Charing Cross, St. Helier, Jersey. 0594 72741 Nearest dealing date Jan. 15, 1992 Shroder Income 1981-1991 5.28 Shroder Growth 1981-1991 5.28 Shroder Div. 1981-1991 5.28 Shroder Int'l. 1981-1991 5.28 Shroder Mgmt. & Res. (S.A.) Ltd. P.O. Box 670, Hamilton, Bermuda. Nearest dealing date Jan. 15, 1992
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INSURANCE, PROPERTY, BONDS

[illegible]

NOTES

Hawker lands £100m. deal with Finland

BY LANCE KEYWORTH

FINLAND'S Ministry of Defence was authorised by the Government today to sign contracts for the purchase of 50 Hawk ground attack-trainer aircraft and equipment, valued at about £100m.

This brings to fruition five years' work by Hawker Siddeley Aviation in Finland and, significantly, is the first export order for the Hawk.

The contracts will be signed on the British side by British Aerospace, of which Hawker Siddeley is a part. Rolls-Royce Turbomeca Adour engine, and other equipment suppliers.

British Aerospace says that

surveys have shown that up to 3,000 of the jet trainer-light combat aircraft of the Hawk type could be sold by the middle of the 1980s.

Mr. Colin M. Chandler, managing director of the Kingston, Brough division of British Aerospace, said: "Finland's decision to purchase the Hawk is a breakthrough of the first rank into a highly competitive trainer market, especially as Finland carried out a professional and objective evaluation of the Hawk and its competitors that was second to none."

Finland's 18-month survey of foreign aircraft types to replace

its rapidly ageing Fouga Magisters resulted in a short list in which the Hawk was placed first, followed by the French, Swedish, Italian and Czechoslovakian offers. The Hawk was selected on its technical merits.

The first four Hawks will be delivered from the U.K. by the end of 1980. The remaining 46 aircraft will be assembled at Finland's state-owned Valmet aircraft factory at Kuopio, which will also assemble the engines.

The Valmet share in the project is part of the offset agreement under which the U.K. undertook to make counter-



The Hawk—first export order.

purchases for 100 per cent. of the cost of the aircraft and equipment.

Some 40 per cent. of the buy-back deals have already been agreed and the remainder should be completed within three years.

The deals span the world from Asia to South America and cover such Finnish exports as paper, wood, machinery, steel, electronics and consumer goods.

Michael Donne, Aerospace Correspondent writes: The Hawk is a new-generation trainer of which 178 have been ordered for the RAF to replace the Hunter. Gnat and part of the Jet Provost fleet.

The Rolls-Royce share of the Finnish order is put at £24m. for the Adour turbo-fan jet engines. Parts will be made in the U.K. by Rolls-Royce and in Turbomeca in France, which is Rolls-Royce's partner on the engine, as well as by Valmet in Finland, with final assembly by Valmet.

Particular significance is placed on the offset agreement accompanying the deal. It is recognised in the U.K. industry that the cost of new civil and military aircraft is now so high that only by offering such offset deals will large orders be won in the export market.

British Steel leads way in price rises

BY ROY HODSON

THE British Steel Corporation announced price increases of up to 5 per cent. last night for some basic products. Other European steelmakers are expected to make appropriate adjustments to bring their prices to similar levels.

All the companies are acting to implement the European Commission's crisis plan for providing a greater measure of protection for the European steel industry during the world steel trading recession.

The EEC Commission, advised by Viscount Ellengren, the industry Commissioner, has drawn up the plan with a speed which has surprised observers. American steelmakers had forecast that it would take months for the EEC to produce a series of measures to stabilise prices within the Community and to restrict the volume of cheap steel imports from third countries.

But the Commission will be able to complete publication of its scheme to-day, following hard work on the details over Christmas.

As part of the package, the EEC has issued a list of "guidance prices" for ten basic products. The new prices, to take effect from next Sunday, are, on

average, about 5 per cent. higher than the prices recommended by the EEC last July.

Although the guidance prices are not binding on steelmakers, British Steel has raised two of its product prices to the suggested levels.

The corporation is to increase the price of hot rolled coil by 27 pence to £156 on January 1 (a 5 per cent. advance) and the price of cold reduced coil by £3.50 to £201.30 a tonne (a 2 per cent. rise).

British Steel has not yet made any statement about its intentions towards the prices of the other basic products on the EEC's guidance list. They include plates, beams, wire rod, and reinforcing bars.

EEC steelmakers may decide to be cautious about raising the prices of all these price-sensitive products until the Davignon plan has been studied more carefully by the full boards of the companies.

British Steel is also to raise the price of tubes products by 6 pence, from January 1 but this decision is not related directly to the EEC plan and is based on signs that the market is strengthening.

EEC hint of state steel subsidies, Page 6.

Chrysler may build new model in Coventry

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

CHRYSLER U.K. is considering the introduction of a new model at its Ryton plant, Coventry. The option is gaining growing support in the strategy review clearly now under way within the company.

The fact that Chrysler has undertaken a fairly fundamental reappraisal is indicated by the delay to reconvening the trade union-management working party responsible for drawing up the company's long-awaited planning agreement with the Government and unions.

The last meeting was adjourned nearly three months ago when the unions demanded more information about the new light car due to start production at Linwood, Scotland, in 1978.

Whether or not the new car is built in Ryton is dependent on the Scottish plant's performance in the New Year.

The problems of Linwood, which has suffered from low output and troubled industrial relations, came to a head in November when a two-week strike that hampered the launch of the new Sunbeam model.

The 7,000-strong labour force has since adopted a 13-point programme, formulated jointly by the management and the unions, which, it is hoped, will reduce disputes and improve productivity.

The Department of Industry is extremely anxious about performance at Linwood because of the key role given to the plant in the £102m. rescue package the company negotiated with the Government after the financial collapse of 1975.

Output since the November strike has shown a considerable improvement but target levels must be achieved consistently before the Scottish plant can justify further investment.

The Department is not only monitoring the position closely but has also requested close consultation with Chrysler's parent company in Detroit. Mr. Eugene C. Sefaro, president of Chrysler, has indicated to Mr. Eric Varley, Industry Secretary, that the intention is to use U.K. capacity to the full.

This suggests not only a new model for Linwood, although timing will clearly depend on performance, but also a new car for Ryton.

The Coventry plant, which produces about 500 Alphas a week, has consistently achieved output and quality targets but is working at only about 30 per cent. capacity.

The coming year is likely to be crucial in determining Chrysler operations in the U.K. High output at Linwood and Ryton will be essential if the

profit necessary to justify the present ambitious expansion programme is to be generated.

Compared with a forecast profit of £300,000 for 1977, Chrysler is likely to record a loss of up to £22m. The Government is committed to meeting half of any deficit up to a total of £20m, but the balance must be met by Detroit.

A repeat of this year's performance in 1978 would pose many questions for Chrysler. The 1975 rescue deal, which assumed Chrysler would be in profit by now, included only contingency arrangements for the company and the Government to share a loss of up to £15m. in 1978.

● Vauxhall Motors is to show its larger-engined Cavalier model at the Brussels Motor Show in early January as the car becomes available in the Benelux countries, France, Italy, Austria and Scandinavia.

● Vauxhall said yesterday that about 500 "early" cars were damaged at its Ellesmere Port Liverpool plant, during a shop-floor party before the Christmas break.

Damage was confined to exterior panels on the cars and the incident would be investigated when workers returned after the holiday, the company said.

Continued from Page 1

Healey pay policy call

Labour MPs a month ago when he first raised the question of the long-term future of pay policy.

The only specific suggestion made by Mr. Healey in his interview is that comparability with private sector wages could be the basis for public sector pay. This has been proposed for the firemen and "could be so in many parts of the public sector."

Mr. Healey notes that "in the extent that this is becoming inevitable, it is moving us perhaps more rapidly than we foresaw towards a more general policy in the public sector, and raising then the question of how you deal with the problems in the private sector."

"The Government also has a duty to give the country some idea of the aggregate increase in earnings that is compatible with growth and keeping inflation under control."

"What would be desirable would be that unions and employers negotiated within

that aggregate on the distribution of increases."

Mr. Healey refers to the example of West Germany, Austria and parts of Scandinavia where the Government takes the general view.

He "would very much welcome some discussion within the trade unions (and, for that matter, within the employers' organisations) about what is the best way for this country to tackle it."

In a discussion of the uses of North Sea oil, Mr. Healey says it should be seen as "reducing the constraints right across the economy, rather than actually providing money to be diverted to specific purposes."

Because the major benefit of North Sea oil comes on the balance of payments, the most important single advantage it will give is that we shall be able to run the economy at a higher level of demand for longer periods than we have known since the war.

"It is the prospect of the continuing high level of demand which will generate the investment we need."

£2m. tooling order for Mini

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LEYLAND CARS yesterday announced a £2m. tooling order for the Mini replacement programme bringing the total investment committed to the controversial project to about £40m.

The contract for a new line of 800 ton presses at the Swindon plant, has gone to Wilkins and Mitchell (Power Presses) of Darlington, in the face of some competition and Ensign.

Automated transfer equipment will be fitted to the line, which will make panels for the Mini replacement scheduled to begin production at the Longbridge plant, Birmingham, in about two years' time.

The order, one of a series of recently-announced investments connected with the planned new Mini, comes during a period of renewed speculation that Leyland may drop the project altogether.

Although plans for introducing the car are on target, after the Government-backed decision to free investment in the new Mini while other projects were frozen in the summer, Mr. Michael Edwards, the new chairman, is conducting a review of the company's model policy.

Until this is completed and signed off, the Mini project must be open to question, mainly because there is deep concern within Leyland about the company's lack of competitive strength in the medium car size range.

A considerable number of

investment projects connected with the new Mini could be diverted to another vehicle if Leyland decided to cancel it and switch to the planned middle-range car, code-named the L10.

Yesterday's order takes the work placed by Leyland Cars with machine tool companies in this country to more than £30m. during 1977.

It is thought to be part of a £60m. programme to modernise and expand the group's press capacity at Swindon, Castle Bromwich, Llanelli and Cowley.

The spending, partly designed for the automation of press facilities, is being reviewed with the rest of Leyland's activities.

Mr. Alan Clements, ICI treasurer, explained that the company wanted to preserve its presence in the New York market and take advantage of the long maturities available there. ICI has already been assured that its new bonds will get the high triple-A/double-A credit rating that they were awarded last time.

The new debenture will be guaranteed unconditionally by ICI. It will mature in 25 years—possibly longer—and will not be redeemable with lower cost debt before January 15 1988.

But a sinking fund started on that date will be calculated to retire at least 90 per cent. of the issue before final maturity.

ICI plans U.S. bond issue of \$150m.

BY OUR CITY STAFF

IMPERIAL CHEMICAL Industries is to return to the U.S. bond market with a \$150m. issue of long-term debentures.

The company said last night that it had filed a registration statement for an issue by its U.S. finance vehicle, ICI North America, with the Securities and Exchange Commission.

ICI is to add the proceeds of the issue to general corporate funds and will use them for capital spending abroad. No particular project is involved.

The only time that ICI issued bonds in New York was in June, 1975, when it raised \$100m. Since then it has borrowed foreign currency substantially in the

President's choice has been greeted with testimony to the tight secrecy with which the search for a successor has been conducted.

Vice-President Walter Mondale was apparently charged with the task of finding a nominee. When he produced a man who not only had the backing of the likes of Mr. Shapiro and Mr. Jones, but who was also a registered member of the Democratic Party with a reputation for being concerned with each social issues as unemployment, the Presidential selection becomes easier to understand.

President Carter was lavish in his praise of Dr. Burns during a television interview last night and even said that he would like him to serve in the Government in some capacity should he decide to leave the Federal Reserve Board, where he is entitled to remain as a member until 1984. Dr. Burns has said he wants to consider this matter for a little longer.

Continued from Page 1

Good reception in U.S.

understand and we can work with it."

Since this view is shared by some top bankers, the President seems to have every chance of achieving his aim of strengthening business confidence while at the same time replacing Dr. Burns, whose constant priority of fighting inflation rather than unemployment is less balanced than the approach desired by the Carter Administration.

Fears of the impact of Mr. Miller's appointment on inflation and the dollar accounted for a four-point drop in the Dow Jones industrial average in heavy early trading this morning.

But the enthusiastic endorsement of Mr. Miller by top business, coupled with an end to the uncertainty over the future of Dr. Burns, helped a recovery in the dollar and a slight gain of 0.69 by close of trading.

This was a more gentle stock market reaction than was foreseen by many pessimists when the appointment was announced

Although the selling of the dollar in Tokyo and in Europe was in line with their gloomy predictions, there was optimism to-day that Mr. Miller will not for long remain a source of weakness for the dollar.

Nevertheless, the new 52-year-old chairman of the Fed will be closely studied for his views on the economy and monetary policy. His lack of a detailed public position on both and his inexperience in banking and finance will linger as a criticism of the appointment until he starts to make his presence felt.

Senator William Proxmire, for example, strongly favours the departure of Dr. Burns but is greeted that he was being replaced by a "rookie." The chairman of the Senate Banking Committee added that "I don't think we should have a man who will decide to leave the Federal Reserve Board, where he is entitled to remain as a member until 1984. Dr. Burns has said he wants to consider this matter for a little longer."

The surprise with which the President's choice has been greeted is testimony to the tight secrecy with which the search for a successor has been conducted.

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THE LEX COLUMN

Dollar boost for the gold price

This year's 36 per cent. rise in the F.T. 30-Share Index has been beaten by many long-dated gilt-edged stocks, and gilts are continuing to dominate the scene right to the end. In December, with one day to go, the F.T. Government Securities Index has risen by 5 per cent. against 2 per cent. for the 30-Share. Yesterday the buyers were again in strong evidence, with the Government broker supplying his short put at two prices (around half may now be gone) while at the long end the pre-Christmas issue Treasury 10 1/2 per cent. 1989 was shifting into firmer hands at a modest but steady premium.

Index rose 0.2 to 490.6

certainly surrounding the dollar. With the German, Swiss, and—on a lesser extent—the British authorities bolstering their defences against money inflows, gold is one of the last havens left for the nervous currency speculator.

With the appointment of an un-known quantity as the chairman of the U.S. Federal Reserve and given the present Administration's lackadaisical attitude in the American exchange rate, gold is likely to stay in the limelight next year.

Gold

Exactly three years ago to-day the gold price hit its all-time high of \$197 1/2 per ounce. Yesterday, the price closed in London at \$186 1/2 and there is a good chance that the yellow metal, after three years in the wilderness, will penetrate the \$200 per ounce level some time in 1978.

Although the price has risen by nearly a quarter in dollar terms this year, the Swiss Franc price has hardly budged—an important point for European fabricators who do not want to price themselves out of the jewellery market. As a rough rule of thumb gold jewellery demands a sharp rise once the price rises above \$140-\$150. But this no longer seems to be true and any cut-off point appears to be significantly higher. Despite the higher prices overall industrial demand for gold (mainly jewellery) is running close to a tenth up on 1976 and in Italy—the main jewellery manufacturer—gold absorption is believed to be a fifth up on last year.

On top of the strong industrial demand, the gold price is also being helped by the un-

Despite all this the resilience of the gold price during most of the past year is surprising, given the increased supply of gold to the free market. For balance of payments reasons the South Africans have been selling all they can produce, and the IMF's regular auctions in the first Wednesday of each month have been easily absorbed as has the 195 tons that the IMF gave back to its members last January. Altogether an extra 100 tons of gold probably had to be absorbed by the free market in 1977.

However, the real test for the gold market will come in 1978. Within the next couple of months the second amendment of the IMF's Articles of Agreement should finally be ratified. Among other things this will allow central banks to deal freely in the gold market. In addition the informal agreement whereby the central banks of the Group of Ten agreed not to increase their net gold holdings expires in February. If it is not renewed some central banks, notably the Japanese, could start to increase the gold content of their reserves. At the same time, there could be some withdrawal of funds through this channel, somewhat circumscribed.

Notice of Redemption

Avon Overseas Capital Corporation

6 1/2% Guaranteed Bonds Due 1981

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated February 1, 1966 under which the above described Bonds were issued, First National City (now Citibank, N.A.), as Trustee, has drawn by lot for redemption on February 1, 1978 ("said redemption date"), through the operation of the sinking fund provided for in the said Indenture, \$1,500,000 principal amount of Bonds of the said issue of the following distinctive numbers:

COUPON BONDS OF \$1,000 PRINCIPAL AMOUNT OUTSTANDING											
724	819	1580	1971	2438	2841	4717	5815	7752	8144	9830	10268
725	820	1581	1972	2439	2842	4718	5816	7753	8145	9831	10269
726	821	1582	1973	2440	2843	4719	5817	7754	8146	9832	10270
727	822	1583	1974	2441	2844	4720	5818	7755	8147	9833	10271
728	823	1584	1975	2442	2845	4721	5819	7756	8148	9834	10272
729	824	1585	1976	2443	2846	4722	5820	7757	8149	9835	10273
730	825	1586	1977	2444	2847	4723	5821	7758	8150	9836	10274
731	826	1587	1978	2445	2848	4724	5822	7759	8151	9837	10275
732	827	1588	1979	2446	2849	4725	5823	7760	8152	9838	10276
733	828	1589	1980	2447	2850	4726	5824	7761	8153	9839	10277
734	829	1590	1981	2448	2851	4727	5825	7762	8154	9840	10278
735	830	1591	1982	2449	2852	4728	5826	7763	8155	9841	10279
736	831	1592	1983	2450	2853	4729	5827	7764	8156	9842	10280
737	832	1593	1984	2451	2854	4730	5828	7765	8157	9843	10281
738	833	1594	1985	2452	2855	4731	5829	7766	8158	9844	10282
739	834	1595	1986	2453	2856	4732	5830	7767	8159	9845	10283
740	835	1596	1987	2454	2857	4733	5831	7768	8160	9846	10284
741	836	1597	1988	2455	2858	4734	5832	7769	8161	9847	10285
742	837	1598	1989	2456	2859	4735	5833	7770	8162	9848	10286
743	838	1599	1990	2457	2860	4736	5834	7771	8163	9849	10287
744	839	1600	1991	2458	2861	4737	5835	7772	8164	9850	10288
745	840	1601	1992	2459	2862	4738	5836	7773	8165	9851	10289
746	841	1602	1993	2460	2863	4739	5837	7774	8166	9852	10290
747	842	1603	1994	2461	2864	4740	5838	7775	8167	9853	10291
748	843	1604	1995	2462	2865	4741	5839	7776	8168	9854	10292
749	844	1605	1996	2463	2866	4742	5840	7777	8169	9855	10293
750	845	1606	1997	2464	2867	4743	5841	7778	8170	9856	10294
751	846	1607	1998	2465	2868	4744	5842	7779	8171	9857	10295
752	847	1608	1999	2466	2869	4745	5843	7780	8172	9858	10296
753	848	1609	2000	2467	2870	4746	5844	7781	8173	9859	10297
754	849	1610	2001	2468	2871	4747	5845	7782	8174	9860	10298
755	850	1611	2002	2469	2872	4748	5846	7783	8175	9861	10299
756	851	1612	2003	2470	2873	4749	5847	7784	8176	9862	10300
757	852	1613	2004	2471	2874	4750	5848	7785	8177	9863	10301
758	853	1614	2005	2472	2875	4751	5849	7786	8178	9864	10302
759	854	1615	2006	2473	2876	4752	5850	7787	8179	9865	10303
760	855	1616	2007	2474	2877	4753	5851	7788	8180	9866	10304
761	856	1617	2008	2475	2878	4754	5852	7789	8181	9867	10305
762	857	1618	2009	2476	2879	4755	5853	7790	8182	9868	10306
763	858	1619	2010	2477	2880	4756	5854	7791	8183	9869	10307
764	859	1620	2011	2478	2881	4757	5855	7792	8184	9870	10308
765	860	1621	2012	2479	2882	4758	5856	7793	8185	9871	10309
766	861	1622	2013	2480	2883	4759	5857	7794	8186	9872	10310
767	862	1623	2014	2481	2884	4760	5858	7795	8187	9873	10311
768	863	1624	2015	2482	2885	4761	5859	7796	8188	9874	10312
769	864	1625	2016	2483	2886	4762	5860	7797	8189	9875	10313
770	865	1626	2017	2484	2887	4763	5861	7798	8190	9876	10314
771	866	1627	2018	2485	2888	4764	5862	7799	8191	9877	10315
772	867	1628	2019	2486	2889	4765	5863	7800	8192	9878	10316
773	868	1629	2020	2487	2890	4766	5864	7801	8193	9879	10317
774	869	1630	2021	2488	2891	4767	5865	7802	8194	9880	10318
775	870	1631	2022	2489	2892	4768	5866	7803	8195	9881	10319
776	871	1632	2023	2490	2893	4769	5867	7804	8196	9882	10320
777	872	1633	2024	2491	2894	4770	5868	7805	8197	9883	10321
778	873	1634	2025	2492	2895	4771	5869	7806	8198	9884	10322
779	874	1635	2026	2493	2896	4772	5870	7807	8199	9885	10323
780	875	1636	2027	2494	2897	4773	5871	7808	8200	9886	10324
781	876	1637	2028	2495	2898	4774	5872	7809	8201	9887	10325
782	877	1638	2029	2496	2899	4775	5873	7810	8202	9888	10326
783	878	1639	2030	2497	2900	4776	5874	7811	8203	9889	10327
784	879	1640	2031	2498	2901	4777	5875	7812	8204	9890	10328
785	880	1641	2032	2499	2902	4778	5876	7813	8205	9891	10329
786	881	1642	2033	2500	2903	4779	5877	7814	8206	9892	10330
787	882	1643	2034	2501	2904	4780	5878	7815	8207	9893	10331
788	883	1644	2035	2502	2905	4781	5879	7816	8208	9894	10332
789	884	1645	2036	2503	2906	4782	5880	7817	8209	9895	10333
790	885	1646	2037	2504	2907	4783	5881	7818	8210	9896	10334
791	886	1647	2038	2505	2908	4784	5882	7819	8211	9897	10335
792	887	1648	2039	2506	2909	4785	5883	7820	8212	9898	10336
793	888	1649	2040	2507	2910	4786	5884	7821	8213	9899	10337
794	889	1650	2041	2508	2911	4787	5885	7822	8214	9900	10338
795	890	1651	2042	2509	2912	4788	5886	7823	8215	9901	10339
796	891	1652	2043	2510	2913	4789	5887	7824	8216	9902	10340
797	892	1653	2044	2511	2914	4790	5888	7825	8217	9903	10341
798	893	1654	2045	2512	2915	4791	5889	7826	8218	9904	10342
799	894	1655	2046	2513	2916	4792	5890	7827	8219	9905	10343
800	895	1656	2047	2514	2917	4793	5891	7828	8220	9906	10344
801	896	1657	2048	2515	2918	4794	5892	7829	8221	9907	10345
802	897	1658	2049	2516	2919	4795	5893	7830	8222	9908	10346
803	898	1659	2050	2517	2920	4796	5894	7831	8223	9909	10347
804	899	1660	2051	2518	2921	4797	5895	7832	8224	9910	10348
805	900	1661	2052	2519	2922	4798	5896	7833	8225	9911	10349
806	901	1662	2053	2520	2923	4799	5897	7834	8226	9912	10350
807	902	1663	2054	2521	2924	4800	5898	7835	8227	9913	10351
808	903	1664	2055	2522	2925	4801	5899	7836	8228	9914	10352
809	904	1665	2056	2523	2926	4802	5900	7837	8229	9915	10353
810	905	1666	2057	2524	2927	4803	5901	7838	8230	9916	10354
811	906	1667	2058	2525	2928	4804	5902	7839	8231	9917	10355
812	907	1668	2059	2526	2929	4805	5903	7840	8232	9918	10356
813	908	1669	2060	2527	2930	4806	5904	7841	8233	9919	10357
814	909	1670	2061	2528	2931	4807	5905	7842	8234	9920	10358
815	910	1671	2062	2529	2932	4808	5906	7843	8235	9921	10359
816	911	1672	2063	2530	2933	4809	5907	7844	8236	9922	10360
817	912	1673	2064	2531	2934	4810	5908	7845	8237	9923	10361
818	913	1674	2065	2532	2935	4811	5909	7846	8238	9924	10362
819	914	1675	2066	2533	2936	4812	5910	7847	8239	9925	10363
820	915	1676	2067	2534	2937	4813	5911	7848	8240	9926	10364
821	916	1677	2068	2535	2938	4814	5912	7849	8241	9927	10365
822	917	1678	2069	2536	2939	4815	5913	7850	8242	9928	10366
823	918	1679	2070	2537	2940	4816	5914	7851	8243	9929	10367
824	919	1680	2071	2538	2941	4817	5915	7852	8244	9930	10368
825	920	1681	2072	2539	2942	4818	5916	7853	8245	9931	10369
826	921	1682	2073	2540	2943	4819	5917	7854	8246	9932	10370
827	922	1683	2074	2541	2944	4820	5918	7855	8247	9933	10371
828	923	1684	2075	2542	2945	4821	5919	7856	8248	9934	10372
829	924	1685	2076	2543	2946	4822	5920	7857	8249	9935	10373
830	925	1686	2077	2544	2947	4823	5921	7858	8250	9936	10374
831	926	1687	2078	2545	2948	4824	5922	7859	8251	9937	10375
832	927	1688	2079	2546	2949	4825	5923	7860	8252	9938	10376
833	928	1689	2080	2547	2950	4826	5924	7861	8253	9939	10377
834	929	1690	2081	2548	2951	4827	5925	7862	8254	9940	10378
835	930	1691									